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

Issued by the Department of Transportation
on the 1st day of April, 2008

In the Matter of Grant Applications

**SMALL COMMUNITY AIR SERVICE
DEVELOPMENT PROGRAM**

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

DOCKET DOT-OST-2008-0100

**ORDER SOLICITING
COMMUNITY GRANT PROPOSALS**

OVERVIEW

By this order, the Department invites proposals from communities and/or consortia of communities interested in obtaining a federal grant under the Small Community Air Service Development Program (Small Community Program) to address air service and airfare problems in their communities. Proposals should be submitted in the above-referenced docket no later than **June 6, 2008**. Applicants must submit an Application for Federal Domestic Assistance (SF424), a standard federal government grant application form, at www.grants.gov and include their proposals as an attachment to the SF424. An application will not be deemed complete until and unless all required materials are filed by the June 6 deadline. (See Appendix C for additional information on filing form SF424.) Communities are reminded to register with Grants.gov early in the application period since the registration process can take up to 10 days to complete.

FUNDING OPPORTUNITY

The Small Community Program was established under the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), P.L. 106-181, and reauthorized under the Vision 100-Century of Aviation Reauthorization Act, P.L. 108-176 (Vision 100). The program is designed to provide financial assistance to small communities to help them enhance their air service. The Department provides this assistance in the form of financial grants that are

disbursed on a reimbursable basis.¹ Under the Consolidated Appropriation Act, 2008 (P.L. 110-161), the Department received \$10 million to carry out the Small Community Program.²

The program is limited to a maximum of 40 grant awards, with a maximum of four grants per State, in each year the program is funded. There are no limits on the amounts of individual awards, and the amounts awarded will vary depending upon the features and merits of the proposals selected. Over the past six years, the Department's individual grants have ranged from \$20,000 to nearly \$1.6 million. Authorized grant projects may include activities that extend over a multi-year period under a single grant award; however, grant funds are to be used in a timely manner. Generally speaking, individual grant awards have not exceeded a three-to-four-year period.

ELIGIBILITY INFORMATION

Who is Eligible to Apply for a Grant?

Basic criteria. Eligible applicants are those communities that (1) are served by an airport that was not larger than a small hub airport for calendar year 1997³ and (2) have insufficient air service or unreasonably high airfares. Communities that do not currently have commercial air service are also eligible, but they must have met or be able to meet in a reasonable period all necessary requirements of the Federal Aviation Administration for the type of service involved in their grant proposals. Communities served by medium and large hubs are not eligible to apply.

Essential Air Service communities may apply. Small communities that meet the basic criteria and currently receive subsidized air service under the Essential Air Service (EAS) program are eligible to apply for funds under the Small Community Program. Indeed, a number of EAS-subsidized communities applied in past years and some have received grant awards. However, grant awards to EAS-subsidized communities are limited to marketing or promotion projects that support existing or newly subsidized air services. Grant funds will not be authorized for EAS-subsidized communities to support any new air service. Furthermore, no funds will be authorized to support additional flights by EAS carriers or changes to those carriers' existing schedules. These restrictions are necessary to avoid potentially adverse effects on EAS program subsidies and the operations of EAS carriers.

Additional consideration for communities/members of consortia that have previously received a grant. Communities or members of a consortia that were awarded grants in previous

¹ For detailed background on the Small Community Program, see our website at: http://ostpxweb.dot.gov/aviation/X-50%20Role_files/smallcommunity.htm#Funds.

² Program funding for this year may be affected by a provision that provides the Secretary with authority to transfer funds from any program within or administered by the Office of the Secretary to the Essential Air Service program if that program does not have sufficient funds to meet its statutory obligations. In addition, a portion of the funds available for the Small Community Program may be used by the Department for grants-management purposes.

³ The hub classifications are based on the Federal Aviation Administration's CY 1997 enplanement data.

years and want to apply for a grant this year should be aware that (1) they are precluded from seeking new funds for projects for which they have already received an award under the Small Community Program and (2) they cannot accept a new grant while they are a party to an existing grant under the program, either as an individual community or as a member of a consortium.

Grant must be for a new project. No community may participate in the program in support of the same project more than once. 49 U.S.C. §41743 (c)(4). In assessing whether a previous grantee's current proposal represents a new project, we would look particularly at the goals and objectives of the earlier grant, as well as the key components of the means by which those goals and objectives were to be achieved, in comparison to the current proposal. For example, if a community received an earlier grant to support a revenue guarantee for service to a particular destination or direction, a new application for another revenue guarantee for the same service would be disqualified under §41743(c), even if the revenue guarantee were structured differently or the type of carrier were different. However, we do not read §41743(c) to disqualify a new application for service to a new destination or direction using a revenue guarantee, or for general marketing of the airport and the various services it offers.

Last year we interpreted this provision more narrowly than in previous years. We are revisiting the issue in light of concerns expressed that the interpretation is too restrictive; for example, that not all revenue guarantees or marketing agreements are of the same nature, and that if a subsequent proposal incorporates different goals or significantly different components, it may be sufficiently different to constitute a new project under §41743(c).

In its application, a community that is a previous grant recipient should compare and contrast its proposed project with its previously funded one(s) to demonstrate why its latest idea represents a new project. Communities should also note that in each of the prior six years of the program, interest in participation exceeded both the funds available and the number of communities that can take part in any one year. For this reason, the fact that a community has already received one or more grants will be a consideration when comparing its new proposal with those of other applicant communities.

No concurrent grants are permitted. A community or member of a consortia may participate in the program a subsequent time only after its participation in a prior grant has terminated. 49 U.S.C. 41743(c)(4). Simply stated, a community can have only one Small Community Program grant at any time. If a grant applicant is applying for a subsequent grant and its current grant has not yet expired, it must notify the Department of its intent to terminate the current grant prior to entering into the new grant. In addition, for grant applicants that are members of a consortia grant, permission must be granted from both the grant sponsor and the Department to withdraw from the current grant prior to being eligible to receive a subsequent grant.

Subsidies for a carrier to compete against an incumbent raise concerns. The Department is concerned generally about subsidizing one carrier but not others in a competitive market. For this reason, communities that propose to use the grant funds for service in a city-pair market that is already served by a carrier must explain in detail why the existing service is insufficient or unsatisfactory, or provide other compelling information to support such proposals. This

information is necessary for the Department to consider the competitive implications of giving financial or other tangible incentives for one carrier that the other carrier is not receiving.

Subsidy proposals should reflect market analysis and a complementary marketing commitment. A thorough understanding of the target market is essential for the ultimate success of new or expanded air service. Likewise, the chances that such a service will become self-sustaining are enhanced when its implementation is supported by a well-designed marketing campaign. For these reasons, communities requesting funds for a revenue guarantee/subsidy/financial incentive are encouraged to include in their proposals an in-depth analysis evidencing close familiarity with their target markets. Such communities also are encouraged to designate in their proposals a portion of their requested funds for the development and implementation of a marketing plan in support of the service sought.

A consortium is more than a collection of communities. The statute permits individual communities and consortia of communities to apply for grant awards under this program. In some instances in the past, several communities in a State have filed a single application as a “consortium” while in effect the application is a collection of individual community requests that involve different projects. We do not view this as a consortium. Rather, an application representing a consortium would be one that facilitates efforts of communities working together toward a joint grant project. For example, several communities surrounding an airport may apply together to improve air services at that airport, or surrounding airports may work together to provide regional air service.

Multiple applications by a community will not be considered. The Department requests that communities file only one application for a grant. In the past, some communities have filed both individual applications and requests as part of a consortium. In many cases these applications have involved the same project at the same or different funding levels. We will not consider the stand-alone application if a community is also submitting a largely identical request as part of a consortium. To the extent that a community files separately and as part of a consortium for complementary projects—for example, one request for funding a revenue guarantee and one for marketing—we will consider such proposals. However, communities should be aware that they can receive only one grant, either the stand-alone grant or as a member of a consortium, because no community can have concurrent grants.

Cost Sharing and Local Contributions Are Important Factors

The statute does not require communities to contribute toward a grant project, but those communities that contribute from local sources other than airport revenues are accorded priority consideration. One core objective of the Small Community Program is to promote community involvement in addressing air service/air fare issues through public/private partnerships. As a financial stakeholder in the process, the community gains greater control over the type, quality, and success of the air service initiatives that will best meet its needs, and demonstrates a greater commitment towards achieving the stated goals. The Department has historically received many more applications than can be accommodated and nearly all of those applications have proposed

a community financial contribution to the project. Thus, proposals that do not propose a community financial contribution will be at a competitive disadvantage.

Types of contributions. Contributions should represent a new financial commitment or new financial resources devoted to attracting new or improved service, or addressing specific high-fare or other service issues, such as improving patronage of existing service at the airport. Contributions from already-existing programs or projects (*e.g.*, designating a portion of an airport’s existing annual marketing budget to the project) are considered less favorably than contributions for new and innovative programs or projects. For those communities that propose to contribute to the grant project, that contribution can be in the following forms:

Cash from non-airport revenues. This cash contribution can include funds from the State, the County or the local government, and/or from local businesses, or other private organizations in the community. Contributions that are comprised of intangible non-cash items, such as the “value” of donated advertising, are considered “in-kind” contributions (see further discussion below).

Cash from airport revenues. This includes contributions from funds generated by airport operations. Airport revenues may not be used for revenue guarantees to airlines.⁴ Community proposals that include local contributions based on airport revenues do not receive priority consideration for selection.

In-Kind Contributions from the airport. This can include such items as waivers of landing fees, terminal rents, fuel fees, and/or vehicle parking fees.

In-Kind Contributions from the community. This can include such items as donated advertising from media outlets, catering services for inaugural events, or in-kind trading, such as advertising in exchange for free air travel. Travel banks and travel commitments/pledges are considered to be in-kind contributions,⁵ as are reduced fares offered by airlines.

Cash vs. in-kind contributions. Only cash contributions will be eligible for reimbursement. “In-kind” or non-cash contributions, which encompass property or services contributed by non-Federal third parties without charge to the grantee, are not eligible. Because they are not reimbursable, in-kind contributions are not considered as part of the community’s cash financial contribution to the project. Of course, communities should include any in-kind contributions in their proposals and are encouraged to offer in-kind inducements as an extra incentive to facilitate air service/fare improvements. While these contributions will not be considered as part of the

⁴ 49 U.S.C. §§ 47107, 47133.

⁵A travel “bank” involves the actual deposit of funds from participating parties (*e.g.*, businesses, individuals) into a designated bank account for the purpose of purchasing air travel on the selected airline, with defined procedures for the subsequent use or withdrawal of those funds under an agreement with the airline. Often, however, what communities refer to as a travel “bank” in reality involves travel “pledges” from businesses in the community without any collection of funds or formal procedures for use of the funds. The Department views travel banks and pledges included in grant proposals as an indicator of local community support.

community's cash contribution toward the project on which reimbursements are made, they will be considered as illustrative of the community's overall commitment to the proposed grant project. If there is any question about whether a proposed contribution would be considered as "in-kind" or cash, the applicant should contact the Department before submitting its proposal.

Financial commitments must be fulfilled. Applicant communities should also note that, as part of the grant agreement between the Department and the community, the community has legally committed itself to fulfilling its proposed financial contribution to the project and that its failure to meet this commitment could lead the Department to terminate the grant. Community participation in all aspects of the proposal, including the financial aspects, is critical to the success of the authorized project initiative. As with the grant awards in past years, receipt of the full federal contribution awarded will thus be linked to the community's fulfillment of its financial contribution. Furthermore, communities cannot propose a certain level of cash contribution from non-airport sources, and subsequent to being awarded a grant, seek to substitute or replace that contribution with either "in-kind" contributions or contributions from airport revenues, or both. Given the statute's priority for contributions from non-airport sources and the competitive nature of the selection process, a community's grant award could be reduced or terminated altogether if it is unable to replace the committed funds from non-airport revenue sources.

APPLICATION AND SUBMISSION INFORMATION

Filing Deadline and Procedures

Grant applications are due by June 6, 2008. As part of the submission process, an applicant must register for and complete SF424, Application for Federal Domestic Assistance. An applicant must also include its grant proposal as an attachment to its SF424. In addition, the cover page of each application should contain the information specified under "Cover page contents," below. Questions regarding the program should be directed to the Office of Aviation Analysis on (202) 366-2347 or aloha.ley@dot.gov. **Communities are encouraged to register with Grants.gov early during the application period since the registration process can take up to 10 days to complete.** Communities are also encouraged to contact the Grants.gov help desk for any technical assistance in filing their applications.

SF424 required. To comply with the Grants.gov initiative, a mandate of the President's Management Agenda, all applicants must submit form SF424, Application for Federal Domestic Assistance, found on <http://www.grants.gov>. Further, grant proposals must be submitted as an attachment to the SF424. An application will NOT be deemed complete unless the SF424 and the attached proposal have been submitted through Grants.gov by the June 6 deadline.

Applicants must complete a one-time registration process in order to submit the SF424 application. This registration process can take seven to ten days to complete. For this reason, communities intending to file applications should register as soon as possible to ensure they can meet the application deadline. Appendix C provides additional information with respect to the registration process in Grants.gov, along with instructions on submitting the SF424 once the registration process has been completed.

Cover page contents. The cover page for all applications should bear the title "Proposal Under the Small Community Air Service Development Program," and should include the docket number DOT-OST-2008-0100, the name of the community or consortium of communities applying, the legal sponsor, and the community's Dun and Bradstreet (D&B) Data Universal Numbering System (DUNS) number.

Confidential treatment of information. Applicants will be able to provide certain information relevant to their proposals on a confidential basis. Under the Department's regulations, such information is limited to commercial or financial information that, if disclosed, would either significantly harm the competitive position of a business or enterprise or make it more difficult for the Federal Government to obtain similar information in the future.

Applicants seeking confidential treatment of a portion of their applications must segregate the confidential material in a sealed envelope marked "Confidential Submission of X (the applicant) in Docket DOT-OST-2008-0100," and include with that material a request in the form of a motion seeking confidential treatment of the material under 14 CFR 302.12 (Rule 12) of the Department's regulations. The applicant should submit an original and two copies of its motion and an original and two copies of the confidential material in the sealed envelope. The confidential material should not be included with the original of the applicant's proposal that is submitted via *www.grants.gov*. The applicant's original submission, however, should indicate clearly where the confidential material would have been inserted. If an applicant invokes Rule 12, the confidential portion of its filing will be treated as confidential pending a final determination. All confidential material must be received by June 6, 2008, and delivered to the Office of Aviation Analysis, 8th Floor, Room W86-310, 1200 New Jersey Ave., SE, Washington, DC 20590.

Types of Projects and Application Content

The statute is very general about the types of projects that can be authorized so that communities are provided greater flexibility in addressing their particular air service and airfare issues. Because circumstances may differ among communities, applicants have some latitude in identifying their own objectives and developing strategies for accomplishing them.

One objective of the Small Community Program is to help communities secure enhancements that will be responsive to their air transportation/air fare needs on a long-term basis after the financial support of the grant has ended. There are many ways that a community might enhance its current air service or attract new service, such as:

- Promoting awareness among residents of locally available service;
- Attracting a new carrier through revenue guarantees or operating cost offsets;
- Attracting new forms of service, such as on-demand air taxi service;

- Offering an incumbent carrier financial or other incentives to lower its fares, increase its frequencies, add new routes, or deploy more suitable aircraft, including upgrading its equipment from turboprops to regional jets;
- Combining traffic support from surrounding communities with regionalized service through one airport; or
- Providing local ground transportation service to improve access to air service to the community and the surrounding area.⁶

Communities are encouraged to be innovative and to consider a wide range of initiatives and air transportation services in developing their proposals, such as intermodal or regional solutions. At the same time, proposals must not be general, vague, or unsupported. The more highly defined and focused the proposal, the more competitive it will be, particularly in light of the priority consideration afforded by the statute to those applicants that can use the funds in a timely manner. 49 U.S.C. §41743 (c)(5)(E).

There is no set format that must be used in submitting grant proposals. At a minimum, however, a proposal must provide the following information:

- A description of the community's existing air service, including the carrier(s) providing service, service frequency, direct and connecting destinations offered, available fares, and equipment types.
- A synopsis of the community's historical service, including destinations, traffic levels, service providers, and any extenuating factors that might have affected traffic in the past or that can be expected to influence service needs in the near to intermediate term.
- A description of the community's air service development efforts over the past five years and the results of those efforts. Many communities have been active on an on-going basis for many years in air service development efforts, while others are just beginning. To the extent that a community has previously engaged in other air service initiatives, including through public/private partnerships, it should describe those efforts and their results in its grant proposal. The description should include marketing and promotional efforts of airport services as well as efforts to recruit additional or improved air service and airfare initiatives.
- A description of the community's air service needs or deficiencies, including any major origin/destination markets not now served or not served adequately. In addition, communities are free to submit any information about their fare levels that they deem

⁶ These examples are illustrative only and are not meant as a list of projects favored by the Department. Interested communities can view actual proposals submitted in prior years. Go to <http://regulations.gov> and, under "Search," enter one of the following depending on the desired filing year: DOT-OST-2002-11590, DOT-OST-2003-15065, DOT-OST-2004-17343, DOT-OST-2005-20127, DOT-OST-2006-23671, or DOT-2007-27370 for proposals filed in 2002, 2003, 2004, 2005, 2006 and 2007, respectively.

relevant to consideration of their grant request, including market analyses or studies demonstrating an understanding of local air service needs.

- A strategic plan for meeting those needs under the Small Community Program, including the community's specific project goal(s) and detailed plan for attaining that goal(s). Plans should:
 - ✓ Clearly identify the target audience of each component of the proposed transportation initiative, including all advertising and promotional efforts.
 - ✓ Set forth a realistic timetable for implementation of the grant project. In this regard, the statute includes timely use of the grant funds as a priority consideration. Consequently, communities must have a well-developed project plan and a detailed timetable for implementing that plan. In establishing the timetable, however, communities should be realistic about their ability to meet their project deadlines.⁷
 - ✓ For proposals involving new or improved service, explain how the service will become self-sufficient. Under the statute, a community cannot seek grant funding in subsequent years in support of the same project. Moreover, it is important that communities seriously consider the scale of their proposed projects in developing their proposals and the timetable for achieving them. To the extent that a proposed project is dependent upon or relevant to the completion of other federally funded capital improvement projects, the community should provide a description of, and the construction time-line for, those projects, keeping in mind the statutory requirement to use Small Community Program funding in a timely manner.
 - ✓ Of particular importance, fully and clearly outline the goals and objectives sought to be achieved, *e.g.*, "to broaden the awareness by residents in the Tri-County area of the various services provided by passenger carriers at the Tri-County airport," or "to obtain new and affordable service to a hub airport in a direction where there is no such service." When an application is selected, these goals and objectives will be incorporated into the grant agreement and define its basic project scope. Once an agreement is signed, if circumstances change and an amendment is sought to allow for different activities or a different approach, the Department will look to whether the change being sought is consistent with those fundamental project goals and objectives. Proposed changes that would alter those fundamental goals and objectives cannot be authorized, because doing so would undermine the competitive nature of the selection process. Applicants are also encouraged to include in their proposals alternative or back-up strategies for achieving their desired goals and objectives. By incorporating such information into the grant agreement, desired changes may be more easily accommodated.

⁷ The projected timetable will be an integral part of the grant agreements between the selected communities and the Department. Therefore, there is *no* advantage to a community in proposing an aggressive timetable that cannot be met, and there may be disadvantages if the community finds that it cannot meet its timetable. Communities should carefully consider all factors affecting implementation of their projects and develop realistic timeframes for achieving those objectives, keeping in mind that authorized projects generally have averaged three to four years.

- ✓ If the applicant received a Small Community Program grant in the past, explain how its proposed project differs from its earlier one by comparing and contrasting project goals, objectives and methods of achieving them.
- A description of any public-private partnership that will participate in the project. Full community involvement is a key aspect of the Small Community Program. The statute gives a priority to those communities that already have established, or will establish, a public-private partnership to facilitate air service to the public. The proposal should fully describe the public-private partnership that will participate in the community's proposal and how the partnership will actively participate in the implementation of the proposed project. In addition, applicants should identify each member of the partnership, the role that each will play, and the specific responsibilities of each member in project implementation. If the application does not include specific information on the partnership participation in the project, the Department cannot evaluate how well a community has met this consideration, and the applicant will not be deemed as having met this priority consideration in the Department's evaluation of the community's proposal.
- A detailed description of the funding necessary for implementation of the community's project, including the federal and non-federal contributions. Proposals should clearly identify the level of federal funding sought. They should also clearly identify the other cash contributions toward the proposed project, "in-kind" contributions from the airport, and "in-kind" contributions from the community. Cash contributions from airport revenues should be identified separately from cash contributions from other community sources. Similarly, cash contributions from the State and/or local government should be separately identified and described.

Applicant communities should be aware that, if awarded a grant, the Department will not reimburse the community for pre-award expenses such as the cost of preparing the grant application or for any expenses incurred prior to the community executing a grant agreement with the Department. In addition, 10 percent of the grant funds will be withheld until the Department receives the final report of the grant project. See "Award Administration Information," below.

- An explanation of how the community will ensure that its own funding contribution is spent in the manner proposed.
- Descriptions of how the community will monitor the progress of the grant project and the identity of critical milestones to be met during the life of the grant, including the need to modify or discontinue funding if identified milestones cannot be achieved. This is an important component of the community's proposal and serves to demonstrate the thoroughness of the community's planning of the proposed grant project.
- A description of how the community plans to continue with the project if it is not self-sustaining after the grant award expires. A particular goal of the Small Community Program is to provide long-term, self-sustaining improvements to air service at small communities. A

community cannot seek further grant funding in support of the same project. 49 U.S.C. 41743(c)(4). It is possible that a new or improved service at a community will be well on its way to becoming self-sustaining, but will not have reached that goal before the grant expires. Similarly, it is possible that extensive marketing and promotional efforts may be in process, but have not been completed at the end of the grant period and will require continued support. Therefore, in developing its proposal, the community should carefully consider and describe in detail its plans for providing continued financial support for the project after the grant funding is no longer available. This aspect of the application reflects on the community's commitment to the grant project and is an important component to the Department's consideration of the community's proposal for selection for a grant award.

- Designation of a legal sponsor responsible for administering the program. The legal sponsor of the grant project must be a government entity. If the applicant is a public-private partnership, a public government member of the organization must be identified as the community's sponsor to receive program reimbursements. In this regard, communities can designate only a single government entity as the legal sponsor, even if a consortium, for example, consists of two or more local government entities. Private organizations cannot be designated as the legal sponsor of a grant under the Small Community Program.⁸

Air Service Development Zone Designation

The statute authorizing the Small Community Program also provides that the Department will designate one of the grant recipients as an Air Service Development Zone. The purpose of the designation is to provide communities interested in attracting business to the area surrounding the airport or in developing land-use options for the area with an opportunity to work with the Department on means to achieve those goals. The Department will assist the designated community in establishing contacts with and obtaining advice and assistance from appropriate government agencies, including the Department of Commerce as well as other offices within the Department of Transportation, and in identifying other pertinent resources that may aid the community in its efforts to attract businesses and to develop land-use options. However, the community receiving the designation will be responsible for developing, implementing, and managing activities related to the air service development zone initiative. Only communities that are interested in these objectives and have a plan to accomplish them should apply for the available designation. There are no additional funds associated with this designation, and applying for the designation will provide no special benefit or preference to a community in receiving a grant award under the Small Community Program.

Grant applicants interested in selection for the Air Service Development Zone designation must include in their applications a separate section, titled, Support for Air Service Development Zone Designation. That section should include:

- ✓ detailed information regarding the property and facilities available for development such as an existing airpark or land for such an airpark near or adjacent to the local airport;

⁸ The community has the responsibility to ensure that the recipient of any funding has the legal authority under State and local laws to carry out all aspects of the grant.

- ✓ the other modes of transportation that would be available to support additional economic development, such as rail, road, and/or water access;
- ✓ information concerning historic, existing, and any future business activity in the area that would support further development;
- ✓ demographic information concerning the community and its environs relevant to the developmental efforts, including population, employment, and per capita income data; and
- ✓ any other information that the community believes is relevant to its plans to enhance air service development.

The community should provide as detailed a plan as possible, including the goals it expects to achieve from the air service development zone designation and the types of activities on which it would like to work with the Department in achieving those goals. The community should also indicate whether further local government approvals are required in order to implement the proposed activities.

APPLICATION REVIEW INFORMATION

The Department will carefully review each proposal and the staff may contact applicants if clarification is needed. The grant awards will be made as quickly as possible so that communities awarded grants can complete the grant agreement process and proceed to implement their plans. Pending unforeseen circumstances, this process should be completed before October 2008. Given the competitive nature of the grant process, the Department will not meet with grant applicants with respect to their grant proposals. Our selection of communities for grant awards will be based on the communities' written submissions.

Priority factors considered. The law directs the Department to give priority consideration to those communities or consortia where:⁹

- air fares are higher than the national average air fares for all communities;
- the community or consortium will provide a portion of the cost of the activity from local sources other than airport revenue sources;
- the community or consortium has established or will establish a public-private partnership to facilitate air carrier service to the public;
- the assistance will provide material benefits to a broad segment of the traveling public, including business, educational institutions, and other enterprises, whose access to the national air transportation system is limited; and

⁹ 49 U.S.C. 41743 (c)(5).

- the assistance will be used in a timely manner.

Additional factors considered. Applications will be evaluated against the priority considerations listed above. Our experience has been that more applications are received than can be funded under the Small Community Program. Consequently, consistent with the criteria stated above, the selection process will take into consideration such additional factors as:

- the relative size of each applicant community;
- the geographic location of each applicant, including the community's proximity to larger centers of air service and low-fare service alternatives;
- the community's existing level of air service and whether that service has been increasing or decreasing;
- whether the community's proposal, if successfully implemented, could serve as a working model for other communities;
- current demographic indicators for the community, such as population, income and business activity;
- the community's demonstrated commitment to and participation in the proposed grant project;
- the grant amount requested compared with total funds available for all communities;
- the proposed federal grant amount requested compared with the local share offered;
- whether the community has a realistic plan to use the funds in a timely manner;
- the uniqueness of an applicant's claimed problems and whether the proposed project addresses those problems;
- the extent to which the applicant's proposed solution(s) to solving the problem(s) is new or innovative;
- whether the community's proximity to an existing grant recipient could impact its proposal; and
- whether the applicant community has previously received a grant award under this program and, if so, whether its application includes an explanation of how the community's proposed project differs from its previously funded project.

Full community participation is a key goal of this program as demonstrated by the statute's focus on local contributions and active participation in the project. Therefore, applications that demonstrate broad community support will be more attractive. For example, communities

providing proportionately higher levels of cash contributions from other than airport revenues will have more attractive proposals. Communities that provide multiple levels of contributions--cash and in-kind contributions—also will have more attractive proposals. Similarly, communities that demonstrate participation in the development and execution of the proposed air service project will have the attractiveness of their proposals enhanced. In this regard, the Department welcomes letters of intent from airlines on behalf of community proposals that are specifically intended to enlist new or expanded air carrier presence. Such letters will be accorded greater credence when authorized by airline planning departments.

Proposals that offer innovative solutions to the transportation issues facing the community will be more attractive. Small communities have faced many problems retaining and improving their air services and in coping with air fares that are higher than typical for larger communities. Therefore, proposals that offer new, creative approaches to addressing these problems, to the extent that they are reasonable, will have their attractiveness enhanced. Proposals that provide a well-defined plan, a reasonable timetable for use of the grant funds, and a plan for continuation and/or monitoring of the project after the grant expires also will have greater attractiveness.

AWARD ADMINISTRATION INFORMATION

The Department will announce its grant selections by Order, which will be served on each grant recipient, all other applicants, and all parties served with this order. The selection order will also be posted in the Docket at www.regulations.gov and on the Department's webpage.

Grant agreement. Communities awarded grants are required to execute a grant agreement with the Department before they begin to spend funds under the grant award. Grant funds will be provided on a reimbursable basis only, with reimbursements made only for expenses incurred and billed during the period that the grant agreement is in effect. Applicants should not assume they have received a grant, nor should they obligate or spend local funds prior to receiving and fully executing a grant agreement with the Department. Expenditures made prior to the execution of a grant agreement, including costs associated with preparation of the grant application, will not be reimbursed. Moreover, there are numerous assurances that grant recipients must sign and honor when federal funds are awarded. All communities receiving a grant under the Small Community Program will be required to accept the responsibilities of these assurances and to execute the assurances when they execute their grant agreements. Copies of the applicable assurances are available for review on the Department's webpage at http://ostpxweb.dot.gov/aviation/X-50%20Role_files/smallcommunity.htm#Funds.

Grantee reports. The grant agreement between the Department and each selected community will require the submission of quarterly reports on the progress the community has made during the previous quarter in implementing its grant project. In addition, the grant agreement will require the submission on a quarterly or other time-specific basis other materials relevant to the grant project, such as copies of advertising and promotional material and copies of contracts with consultants and service providers. 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 final report is received.

Cost reimbursement. Communities will be permitted to seek reimbursement of project implementation costs on a regular basis. The frequency of such requests will be established in the grant agreement, which will be tailored to the specific features of the community's grant project. In most cases, reimbursements will be made on a monthly basis. In this regard, the Department will provide the grant recipient communities with details and procedures for securing reimbursements electronically.

Grant amendments. A grantee may wish to amend its agreement with the Department in the event of a material change in circumstances after the date the agreement is executed. Typically, amendments involve an extension to the time period for completing the grant or a change in the types of activities authorized for reimbursement under the goals and objectives ("project scope") of the grant agreement. **Grantees are cautioned, however, that the Department cannot authorize amendments that are incompatible with the scope of the agreement.** For example, a grant awarded solely for the purpose of developing an airport marketing plan cannot be amended to permit subsidization of an air carrier's startup costs, since the latter was never contemplated by the original agreement.

Grantees are also advised that the Department will not extend the expiration date of an agreement simply to allow more time for a community to solicit air carriers for new air service. Many grants have been awarded for the purpose of subsidizing new or additional air service for a small community, with the goal of that service becoming self-sustaining by the end of the subsidy period. In virtually all cases, the community seeking the grant funds has received expressions of interest from one or more air carriers. In some instances, these expressions of interest failed to pan out and the community was left without any immediate prospects, at which time it would ask for a grant extension to allow more time to pursue other carriers. Because we are charged by law to consider timely use of funds when selecting grant recipients, the Department will grant an extension only when the community can provide strong evidence of a firm commitment on the part of an air carrier to deliver the desired service.

To avoid misunderstandings, grantees contemplating amendments to their agreements are urged to discuss their situations with the Small Community Program staff before requesting a formal amendment.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. Community proposals for funding under the Small Community Air Service Development Program should be submitted via <http://www.grants.gov> as an attachment to the SF424 no later than June 6, 2008; and
2. This order will be published in the Federal Register and also will be served on the Conference of Mayors, the National League of Cities, the National Governors Association, the National Association of State Aviation Officials (NASAO), the Association of County Executives, the

American Association of Airport Executives (AAAE), and the Airports Council International-North America (ACI), and posted on <http://www.grants.gov>.

By:

A handwritten signature in black ink that reads "Michael W. Reynolds". The signature is fluid and cursive, with a long horizontal stroke at the end.

MICHAEL W. REYNOLDS
Acting Assistant Secretary for
Aviation and International Affairs

(SEAL)

*An electronic version of this document is available
on the World Wide Web at <http://www.regulations.gov>*

SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAM

United States Code Annotated

Title 49. Transportation

Subtitle VII. Aviation Programs

Part A. Air Commerce and Safety

Subpart II. Economic Regulation

Chapter 417. Operations of Carriers

Subchapter II. Small Community Air Service

→§ 41743. Airports not receiving sufficient service

(a) Small community air service development program.--The Secretary of Transportation shall establish a program that meets the requirements of this section for improving air carrier service to airports not receiving sufficient air carrier service.

(b) Application required.--In order to participate in the program established under subsection (a), a community or consortium of communities shall submit an application to the Secretary in such form, at such time, and containing such information as the Secretary may require, including--

(1) an assessment of the need of the community or consortium for access, or improved access, to the national air transportation system; and

(2) an analysis of the application of the criteria in subsection (c) to that community or consortium.

(c) Criteria for participation.--In selecting communities, or consortia of communities, for participation in the program established under subsection (a), the Secretary shall apply the following criteria:

(1) **Size.**--For calendar year 1997, the airport serving the community or consortium was not larger than a small hub airport, and--

(A) had insufficient air carrier service; or

(B) had unreasonably high air fares.

(2) **Characteristics.**--The airport presents characteristics, such as geographic diversity or unique circumstances, that will demonstrate the need for, and feasibility of, the program established under subsection (a).

(3) **State limit.**--Not more than 4 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.

(4) **Overall limit.**--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 funds are appropriated for the program.

No community, consortia of communities, nor combination thereof may participate in the program in support of the same project more than once, but any community, consortia of communities, or combination thereof may apply, subsequent to such participation, to participate in the program in support of a different project.

(5) **Priorities.**--The Secretary shall give priority to communities or consortia of communities where--

(A) air fares are higher than the average air fares for all communities;

(B) the community or consortium will provide a portion of the cost of the activity to be assisted under the program from local sources other than airport revenues;

(C) the community or consortium has established, or will establish, a public-private partnership to facilitate air carrier service to the public;

(D) the assistance will provide material benefits to a broad segment of the traveling public, including business, educational institutions, and other enterprises, whose access to the national air transportation system is limited; and

(E) the assistance will be used in a timely fashion.

(d) **Types of assistance.**--The Secretary may use amounts made available under this section--

- (1) to provide assistance to an air carrier to subsidize service to and from an underserved airport for a period not to exceed 3 years;
- (2) to provide assistance to an underserved airport to obtain service to and from the underserved airport; and
- (3) to provide assistance to an underserved airport to implement such other measures as the Secretary, in consultation with such airport, considers appropriate 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.

(e) Authority to make agreements.--

(1) In general.--The Secretary may make agreements to provide assistance under this section.

(2) Authorization of appropriations.--There is authorized to be appropriated to the Secretary \$20,000,000 for fiscal year 2001, \$27,500,000 for each of fiscal years 2002 and 2003, and \$35,000,000 for each of fiscal years 2004 through 2008 to carry out this section. Such sums shall remain available until expended.

(f) Additional action.--Under the program established under subsection (a), the Secretary shall work with air carriers providing service to participating communities and major air carriers (as defined in section 41716(a)(2)) serving large hub airports to facilitate joint-fare arrangements consistent with normal industry practice.

(g) Designation of responsible official.--The Secretary shall designate an employee of the Department of Transportation--

- (1) to function as a facilitator between small communities and air carriers;
- (2) to carry out this section;
- (3) to ensure that the Bureau of Transportation Statistics collects data on passenger information to assess the service needs of small communities;

(4) to work with and coordinate efforts with other Federal, State, and local agencies to increase the viability of service to small communities and the creation of aviation development zones; and

(5) to provide policy recommendations to the Secretary and Congress that will ensure that small communities have access to quality, affordable air transportation services.

(h) Air Service Development Zone.--The Secretary shall designate an airport in the program as an Air Service Development Zone and 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 provide data, working with the Department of Commerce and other agencies.

SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAM**DOCKET DOT-OST-2008-0100****SUMMARY INFORMATION**

All applicants must submit this information with their proposal, along with a completed form SF424 on <http://www.grants.gov>. (See Appendix C for the SF424 filing process)

A. APPLICANT INFORMATION: (CHECK ALL THAT APPLY)

- Not a Consortium Interstate Consortium Intrastate Consortium
- Community now receives EAS subsidy
- Community (or Consortium member) previously received a Small Community Grant
If previous recipient, expiration date of grant: _____

B. PUBLIC/PRIVATE PARTNERSHIPS: (LIST ORGANIZATION NAMES)

<u>Public</u>	<u>Private</u>
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

C. PROJECT PROPOSAL: (CHECK ALL THAT APPLY)

- | | | |
|--------------------------------------|--|---|
| <input type="checkbox"/> Marketing | <input type="checkbox"/> Upgrade Aircraft | <input type="checkbox"/> New Route |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Increase Frequency | <input type="checkbox"/> Low Fare Service |
| <input type="checkbox"/> Travel Bank | <input type="checkbox"/> Service Restoration | <input type="checkbox"/> Subsidy |

- Surface Transportation Regional Service Other (specify) _____
- Revenue Guarantee Launch New Carrier _____
- Start Up Cost Offset First Service _____
- Study Secure Additional Carrier _____

D. EXISTING LANDING AIDS AT LOCAL AIRPORT:

- Full ILS Outer/Middle Marker Published Instrument Approach
- Localizer Other (specify)

E. PROJECT COST:

Federal amount requested: _____

Total local cash financial contribution: _____

Airport funds: _____

Non-Airport funds: _____

State cash financial contribution: _____

Existing funds: _____

New funds: _____

Airport In-kind contribution: _____

 (amount & description)

Other In-Kind contribution: _____

 (amount & description)

Total cost of project: _____

F. ENPLANEMENTS:

2000 _____	2004 _____
2001 _____	2005 _____
2002 _____	2006 _____
2003 _____	2007 _____

G. IS THIS APPLICATION SUBJECT TO REVIEW BY STATE UNDER EXECUTIVE ORDER 12372 PROCESS?

- a. This application was made available to the State under the Executive Order 12372 Process for review on (date) _____.
- b. Program is subject to E.O. 12372, but has not been selected by the State for review.
- c. Program is not covered by E.O. 12372.

H. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT? (IF “YES”, PROVIDE EXPLANATION)

- No Yes (explain) _____

FILING FORM SF424: APPLICATION FOR FEDERAL DOMESTIC ASSISTANCE

Grants.gov, originally called the E-Grants Initiative, a mandate of the President's Management Agenda, states:

“Agencies will allow applicants for Federal Grants to apply for and ultimately manage grant funds online through a common web site, simplifying grants management and eliminating redundancies.”

Public Law 106-107, the legislation that mandates streamlining and improved accountability for Federal grants, and related references in the President's Management Agenda, requires that Federal grant management activities be standardized. As a result, the Office of Management and Budget recently issued a policy directive requiring that all Federal agencies post grant opportunities online as of November 7, 2006.

Therefore, the Department requires applications to be submitted via <http://www.grants.gov>. In order for an application to be considered in the Small Community Air Service Development Program, the community must submit its application on form SF424—Application for Federal Domestic Assistance--via <http://www.grants.gov>. Below are instructions on:

- how to FIND the SCASDP application online at <http://www.grants.gov>;
- how to GET REGISTERED to submit applications; and
- how to APPLY or complete and submit the application form SF424.

FINDING THE SCASDP GRANT OPPORTUNITY ON GRANTS.GOV

Start your search for the Small Community Air Service Development Program grant opportunity by entering <http://www.grants.gov> and clicking the Find Grant Opportunities tab at the top of the page. Next, select “Basic Search” from the search choices. In the search box titled “Search for Catalog of Federal Domestic Assistance (CFDA) number” enter 20.930. You will see a summary of the SCASDP requirements.

REGISTER TO SUBMIT APPLICATIONS

Prior to applying, you must register to create a Grants.gov account and receive approval from your organization to submit applications. **Registration can take seven to ten days to complete, so it is best to begin the process as soon as possible.** Detailed instructions on how to complete the registration are available on <http://www.grants.gov>. For your reference, the Grants.gov “Organization Registration Checklist” is reproduced starting on page 4 of this Appendix. You can also access the Checklist at:

http://grants.gov/assets/Organization_Steps_Complete_Registration.pdf.

APPLYING FOR THE GRANT

Once you have located the Small Community Air Service Development Program grant opportunity, you will need to enter the Funding Opportunity and/or the Catalog of Federal Domestic Application (CFDA) number 20.930 to access the application package and instructions online. However, you must complete the registration process before applying. In order to view the application package and instructions, you will also need to download and install Adobe Reader 8.1.2. This version is available to download for free on the Grants.gov website.

1. Download Adobe Reader 8.1.2 [Required]
2. Download an Application Package
3. Complete an Application Package
4. Submit an Application Package

Enter the SCASDP CFDA number (20.930) to download the application form SF424 and begin the process to apply for the grant through <http://www.grants.gov>. It is a 4-step process:

Apply Step 1: Download the Grant Application Form SF424 and Application Instructions

You will need to enter the Funding Opportunity and/or CFDA number to access the application package and instructions. Download and install the Adobe Reader 8.1.2 (available on <http://grants.gov>). This small, free program will allow you to access, complete, and submit applications electronically and securely.

Apply Step 2: Complete the Selected Grant Application Package

You can complete the application offline — giving you the flexibility to complete grant applications when and where you want. It also enables you to easily route it through your organization for review, or completion of various components, just like any other email attachment.

Apply Step 3: Submit a Completed Grant Application Package

You will submit the application online. When you are ready to submit the completed application form SF424, you must have already completed the Get Registered steps. You will then need to log into

<http://www.grants.gov> using the username and password you entered when you registered with a Credential Provider to submit the application.

Note: To submit electronic grant applications, you must be fully authorized by your organization, i.e., been given status as an Authorized Organization Representative (AOR). You can easily check your status by logging into <http://www.grants.gov> by accessing the Applicant link at the top of the screen. If you have registered your user name and password with Grants.gov, you will be able to log in. After logging in, access the 'Manage Profile' link. Your status, located below your title, will state: "AOR - request sent" or "AOR – Approved." If your status is 'AOR - request sent', you cannot yet submit grant applications. You may correct this by contacting your E-Business Point of Contact (POC). He or she will need to login by accessing the Ebiz link at the top of the screen. They will need your organization's DUNs number and MPIN, to approve you as an AOR.

Apply Step 4: Track the Status of a Completed Grant Application Package

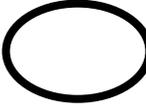
Once you have submitted an application, you can check the status of your application submission. You can identify your application by CFDA Number (20.930), Funding Opportunity Number, Competition ID, and/or Grants.gov Tracking Number.

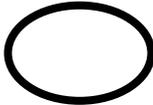


Organization Registration Checklist

The following checklist provides registration guidance for a company, academic or research institution, state, local or tribal government, not-for-profit, or other type of organization. The registration process is a **one-time** process, which is **required** before representatives of an organization can submit grant application packages electronically through Grants.gov. The registration process can take **three to five business days or one to three weeks** depending on your organization.

Note: If you are a grant applicant, who is submitting a grant application on your own behalf and not on behalf of a company, academic or research institution, state, local or tribal government, not-for-profit, or other type of organization, refer to the **Individual Registration Checklist:** <http://www.grants.gov/assets/IndividualRegCheck.pdf>. If you apply as an individual to a grant application package designated for organizations, your application will be rejected.

Steps to Complete to register an Organization	Completed?
<p>STEP 1: OBTAIN DUNS NUMBER Has my organization identified its Data Universal Number System (DUNS)?</p> <p>Ask the grant administrator, chief financial officer, or authorizing official of your organization to identify your DUNS number.</p> <p>If your organization does not know its DUNS number or needs to register for one, visit Dun & Bradstreet at http://fedgov.dnb.com/webform/displayHomePage.do.</p> <p>PURPOSE OF THIS STEP: The federal government has adopted the use of DUNS numbers to track how federal grant money is allocated. DUNS numbers identify your organization.</p> <p>HOW LONG SHOULD IT TAKE? Same Day. You will receive DUNS number information online.</p>	
<p>STEP 2: REGISTER WITH CCR Has my organization registered with the Central Contractor Registry (CCR)?</p> <p>Ask the grant administrator, chief financial officer, or authorizing official of your organization if your organization has registered with the CCR.</p> <p>If your organization is not registered, you can apply by phone (1-888-227-2423) or register online at http://www.ccr.gov. CCR has developed a handbook (http://www.ccr.gov/handbook.asp) to help you with the process.</p> <p>When your organization registers with CCR, you must designate an E-Business Point of Contact (E-Biz POC). This person will be given a special password called an "M-PIN." This M-PIN gives the E-Biz POC authority to designate which staff members from your organization are allowed to submit applications electronically through Grants.gov. Staff members from your organization designated to submit applications are called Authorized Organization Representatives (AOR).</p>	

<p>PURPOSE OF THIS STEP: Registering with the CCR is required for organizations to use Grants.gov.</p> <p>HOW LONG SHOULD IT TAKE? One to three days to gather the internal organization information and prepare the APPLICATION.</p> <p>If your organization already has an Employment Identification Number (EIN) or Taxpayer Identification Number (TIN), then you should allow a minimum of five business days to complete the entire CCR registration.</p> <p>If your organization does not have an EIN or TIN, then you should allow two weeks for obtaining the information from IRS when requesting the EIN or TIN via phone or Internet. The reason for the one to three day delay is due to security information that needs to be mailed to the organization.</p> <p><i>*Note: Your organization needs to renew their CCR registration once a year.</i></p>	
<p>STEP 3: OBTAIN USERNAME & PASSWORD Have the AORs who officially submit applications on behalf of your organization registered with the Operational Research Consultants (ORC), a Credential Provider, to obtain their username and password?</p> <p>AORs must register with the Credential Provider (ORC) to obtain their usernames and passwords at http://apply07.grants.gov/apply/OrcRegister. They will need to know your organization's DUNS number to complete the process.</p> <p>After your organization registers with the CCR, AORs must wait one business day before they can obtain their usernames and passwords.</p> <p>PURPOSE OF THIS STEP: AOR usernames and passwords serve as "electronic signatures" when your organization submits applications on Grants.gov.</p> <p>HOW LONG SHOULD IT TAKE? Same Day. AORs will receive a username and password when they submit the information.</p>	
<p>STEP 4: REGISTER WITH GRANTS.GOV Have the AORs who will officially submit applications on behalf of the organization registered with Grants.gov for an account?</p> <p>AORs must register with Grants.gov for an account at https://apply07.grants.gov/apply/GrantsgovRegister. They will need to enter the username and password they received when they registered with the Credential Provider (obtained in Step 3).</p> <p>PURPOSE OF THIS STEP: This creates an account on Grants.gov that allows AORs to submit applications on behalf of the organization and track the status of submitted applications.</p> <p>HOW LONG SHOULD IT TAKE? Same Day. AORs will be registered when they submit the information.</p>	

<p>STEP 5: AOR AUTHORIZATION Has the E-Business Point of Contact (E-Biz POC) approved AORs to submit applications on behalf of the organization?</p> <p>When an AOR registers with Grants.gov, your organization's E-Biz POC will receive an e-mail notification.</p> <p>Your E-Biz POC must then login to Grants.gov (using the organization's DUNS number for the username and the "M-PIN" password obtained in Step 2) and approve the AOR, thereby giving him or her permission to submit applications.</p> <p>When an E-Biz POC approves an AOR, Grants.gov will send the AOR a confirmation e-mail. E-Biz POC Login: https://apply07.grants.gov/apply/AorMgrGetID.</p> <p>PURPOSE OF THIS STEP: Only the E-Biz POC can approve AORs. This allows your organization to authorize specific staff members to submit grants.</p> <p>HOW LONG SHOULD IT TAKE? Depends on how long it takes the E-Biz POC to login and approve the AOR.</p>	
<p>STEP 6: TRACK AOR STATUS AORs can also login to the Applicant home page at http://www.grants.gov/ForApplicants using their username and password (obtained in Step 3) to check if they have been approved.</p> <p>PURPOSE OF THIS STEP: To verify that your organization's E-Biz POC has approved you as the AOR.</p> <p>HOW LONG SHOULD IT TAKE? Logging in as an applicant is instantaneous, the approval process to become an AOR depends on how long it takes the E-Biz POC to login and approve the AOR.</p>	