

capital improvement projects, the community should provide a description of, and the construction time-line for, those projects.

- *A description of the public-private partnership, if there is one, or other sponsor, that will be responsible for the program developed at the local level.* The partnership or other sponsor can either be an existing organization or an entirely new one. If the sponsor is a public-private partnership, a public member of the organization must be identified as the community's sponsor to accept 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 are not permissible sponsors to accept reimbursements under this program.⁷

- *An analysis of the funding necessary for implementation of the community's project, including the Federal and non-Federal contributions.* In calculating the non-Federal contribution, we will give less favorable consideration to contributions that simply continue already-existing programs or projects (e.g., designating a portion of an airport's existing annual marketing budget); ideally, contributions should represent new financial resources devoted to attracting new or improved service, or addressing a specific high-fare or other service issue. Also, we will not consider in-kind trading (e.g., reduced landing fees or terminal rent or non-cash transactions such as free advertising in exchange for reduced-fare travel) as part of the community's financial contribution to the project. As we have previously noted, in-kind trading is frequently hard to quantify and does not lend itself to comparison to proposals that include straight cash contributions. Of course, communities are free to include in-kind trading in their proposals. In fact, we encourage communities to offer in-kind inducements as an *extra* incentive to facilitate air service/fare improvements. These contributions, however, will be considered over and above what the community offers as a cash contribution to the proposed project.

There is no pre-established contribution level that is required of the applicant communities. Moreover, the law does not require communities to contribute toward a grant project. We emphasize, however, that a core

objective of the Pilot Program is to promote community involvement in addressing air service/air fare issues through public/private partnerships. This includes not only participation in identifying and implementing the projects geared toward development of the community's air service, but, also, a financial commitment to achieve those developmental objectives. As a 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 a greater commitment towards achieving the stated goals. Furthermore, while we recognize that some communities may have greater financial resources available than others, we still expect there to be a direct relationship between the amount of Federal support that a community seeks and the amount that it is prepared to contribute toward the proposed initiative. The greater the Federal grant amount requested, the greater the amount that we would expect as the community's contribution.

Applicant communities should also keep in mind that, as part of the partnership between the Department and the community, we expect the community to meet its proposed financial contribution to the project. We believe that community participation with respect to all aspects, including the financial aspects, of the proposal is critical to the success of the authorized Pilot Program initiative. As with the fiscal year 2002 grant awards, receipt of the full Federal contribution awarded will thus be linked to the community's fulfillment of its financial contribution.

- *An explanation of how the community will provide assurances that its own funding contribution is spent in the manner proposed.*

- *Descriptions of how the community will monitor the success of the program and how the community will identify critical milestones during the life of the program, including the need to modify, or discontinue funding if identified milestones cannot be met.*

We will not dictate the format that applicants should use in submitting their applications, other than the guidance above concerning issues that we would like addressed in the community's application. The law provides considerable latitude to communities in developing their proposals and we do not want to stifle any innovation with a very strict format. However, given the high volume of applications received last year, and the delay in our ability to begin the grant process for this fiscal year, in this order, we are requiring applicants to submit

Summary Information (attached as Appendix B to this order) at the beginning of their applications to assist our review of each proposal.

Use of Funds

The Pilot Program provides considerable flexibility in how funds can be used to implement a community's proposal. For example, grant funds can be used to cover the expenses of any new advertising or promotional activities that can reasonably be related to improving the scheduled air service to the community. Funds may also be used for any type of new media advertising or other promotional activities; for new studies designed to measure air service deficiencies, or to measure traffic loss or diversion to other communities; as well as for the employment or use of new, dedicated air service development staff on a long-term basis, advertising or public relations agencies, universities, and consulting firms. In addition, grant funds may also be used for financial incentives, including subsidy or revenue guarantees, to air carriers in conjunction with their provision of air service or the fare levels charged, or to ground service providers in providing access to air transportation services.⁸ Use of the funds for air carrier subsidy is limited to a maximum period of three years.

As noted above, applicants will be expected to meet the financial contributions that they proposed toward their service proposals. To the extent that applicants may include the use of travel banks or travel pledges as financial incentives to service providers (air or surface), they should have confirmation and verification of such pledges or commitments *before* they include them in their proposed financial contributions.

While the statute does not preclude communities from including capital expenditures, such as terminal/runway improvements or airport equipment in their grant requests, we do not encourage communities to do so. If our experience this year mirrors that of last year, we will have many more proposals for Federal assistance than we can accommodate under the limitations of the statute. Moreover, the FAA's Airport Improvement Program (AIP) and Facilities and Equipment Program (F&E) are specifically intended for such purposes and capital improvement requests are more appropriately

⁷ 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.

⁸ Qualified expenses are set forth in Office of Management and Budget Circular A-87. See <http://www.whitehouse.gov/omb/circulars/a0087/a0087.html>.