

MICHIGAN DEPARTMENT OF TRANSPORTATION
OFFICE OF AERONAUTICS

Michigan Air Service Program Guidelines



November 2016



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INTRODUCTION

In 1987, the Michigan Air Service Program was developed to address the loss and decline of commercial air service at many Michigan communities. Implementing the first state/local grant in 1988, the program helped stabilize and expand commercial air service by undertaking activities aimed at promoting increased use of services available at local airports. Over the intervening years, the airline industry has matured and many changes have occurred. During this time, Michigan airports have had increases in both services provided and total passengers.

Recognizing that quality air service is an essential element of a community's infrastructure and is essential to promote economic expansion, a coordinated state and local effort to promote air service needed to be continued. As a mechanism toward maintaining and improving those services, the Air Service Program was refocused in 1992, with new emphasis on implementing aviation projects that encourage and support economic growth.

In 1994, the Michigan Aeronautics Commission (MAC) recognized that Cargo Service Airports have the potential to attain the goals and objectives of the Air Service Program by improving accessibility of commercial, business, and industrial areas. Increasing awareness of a cargo service airport's role in supporting community growth and economic development was deemed essential to meet the program's goals and objectives. Therefore, beginning in October 1994, eligibility for participation in the Air Service Program, Airport Awareness category was expanded to include Cargo Service Airports that lack scheduled passenger service.

In 2005, the MAC furthered economic development efforts by expanding eligibility criteria for the Capital Improvement and Equipment category to include cargo service airports that lack scheduled passenger service. As a result, cargo service airports were made eligible for up to \$80,000 in state funding for projects approved under this category.

In 2012, in response to the need for comprehensive Aircraft Rescue and Firefighting (ARFF) training a component was added to address the safety and security needs of Part 139 airports by offering a matching grant to any airport subject to the training requirement. This primarily included all air carrier airports, but also those general aviation airports maintaining ARFF capabilities.

In 2015, the MAC undertook a study of air service in Michigan and subsequently accepted a report focused on the Essential Air Service (EAS) program and its role in supporting access to commercial air service for small communities. This report, published as the 2016 Policy Plan for Michigan Air Service, clearly recognizes the challenges facing Michigan's air carrier airports, particularly those supported through EAS. While viable alternatives are limited, it is clear that this Air Service Program is the most effective tool at the state's disposal to address both facility and system deficiencies.

A key to the study effort was the establishment of goals to ensure Michigan Department of Transportation's (MDOT) air service policies align with the State Long Range Plan and address Michigan's current and future air transportation requirements. The policy goals accepted by the MAC as part of the 2016 Policy Plan for Michigan Air Service have been included in these guidelines as the Air Service Program Goals.

In addition, the 2016 Policy Plan for Michigan Air Service reaffirmed and supplemented the development considerations and initiatives found in the 2001 Policy Plan for Michigan Air Service (PPMAS). These are now the Air Service Program Objectives.

In the context of the study's findings, the MAC recommended the following key factors be considered when implementing new policy recommendations contained in the 2016 Policy Plan for Michigan Air Service into the Michigan Air Service Program Guidelines:

1. The 19 commercial air service airports include one (1) large hub, two (2) small hub, seven (7) non hub and nine (9) EAS facilities. These airports are geographically well situated and meet Michigan service needs within the service threshold of 60 minutes or less surface travel time without the need to add additional airports.
2. While meeting the needs of being geographically well situated, seven of the EAS airports are at risk of in terms of matching the level of service to that which can be profitably supported without the subsidy. Efforts should focus on continued advocacy and support of the EAS Program at the national level maximizing the benefit to Michigan.
3. MDOT should review and update the Air Service Program Guidelines to focus on efficiently maintaining service levels at all 18 air service airports with an emphasis on partnering to effectively leverage available resources and reduce vulnerabilities, particularly at EAS airports.

In response to these goals, objectives, and key factors, the Michigan Air Service Program will consider funding for airport-specific projects across four categories listed below in priority order:

1. Aircraft Rescue and Firefighting
2. Airport Awareness
3. Capital Improvement and Equipment
4. Carrier Recruitment and Retention

These categories and eligibility requirements are further explained in this document.

Projects in these categories will be designed to attain the program goals and objectives identified below. Eligibility will be determined by the following tier system in accordance with that particular program area:

Tier 1 – Part 139 Certificated Airports enplaning more than 1,500,000 passengers annually.

Tier 2 – Part 139 Certificated Airports enplaning 100,000 to 1,499,999 passengers annually.

Tier 3 – Part 139 Certificated Airports enplaning less than 100,000 passengers annually.

Tier 4 – Part 139 Certificated Cargo Airports.

PROGRAM GOALS AND OBJECTIVES

PROGRAM GOALS

1. Stewardship – Preserve transportation system investments, protect the environment, and utilize public resources in a responsible manner.
2. Safety and Security – Continue to improve transportation safety and ensure the security of the transportation system.
3. System Improvement – Modernize and enhance the transportation system to improve mobility and accessibility.
4. Efficient and Effective Operations – Improve the efficiency and effectiveness of the transportation system and transportation services, and expand MDOT’s coordination and collaboration with partners.

PROGRAM OBJECTIVES

1. Assure the appropriate distribution of air service to support and promote economic development statewide.
2. Assure the appropriate distribution of air service to support quality of life for Michigan residents and visitors by providing access to the national air transportation system.
3. Match a community’s air service to the level which it can profitably support.

PROGRAM FUNDING

STATE PARTICIPATION

State funding for the Air Service Program is provided from State Aeronautics Fund revenues and appropriated specifically for use within the program. The 2017 fiscal year Air Service Program was appropriated \$250,000. In order to maximize the use of these funds and to ensure the program meets the established goals and objectives, previous Air Service Program guidelines, including specific maximums for each program category, have been eliminated with the exception of Aircraft Rescue and Firefighting grants, which will be limited to \$2,000 in state funds per eligible airport. Due to limited overall program funds, airports should attempt to limit their grant requests to \$2,000 for Aircraft Rescue and Firefighting grants and \$10,000 for any other grant requests.

LOCAL PARTICIPATION

All categories of the Program require that project costs be shared between the state and a local sponsor. The local share may be provided by the airport authority, a local unit of government, or a non-profit community support organization such as a chamber of commerce. Contributions from the private sector to the local unit of government are also an acceptable source.

IN-KIND/SOFT MATCH

Upon request by the airport sponsor, MDOT's Office of Aeronautics (Aero) may consider and approve in advance for use as local In-Kind/Soft Match, engineering and construction costs to be incurred in-house (i.e., force accounting). Costs to be considered by Aero for in-kind match potential will be limited to labor, materials and equipment. These costs will not be eligible as soft match unless prior approvals of estimated cost and the sponsor's request for soft match are approved in advance by Aero.

NON-ALLOWABLE PROJECT COSTS

The following costs are ineligible for reimbursement for projects approved under the Air Service Program:

- Costs incurred prior to agreement execution.
- Costs incurred subsequent to agreement expiration (project must be completed by agreement's expiration).
- Administrative costs incurred by the airport sponsor (i.e., airport staff time, maintenance fees for website).
- Liability insurance costs.
- Any costs incurred in connection with raising funds by the sponsor, including interest and premium charges and administrative expenses involved in conduction bond elections and in selling bonds.

- Local share required to obtain Air Service Program funds.
- Costs incurred in any other state or federal program for airport improvement projects.
- Attorney fees.
- Alcoholic beverages.
- Advertising outside of airport service area or favoring one carrier over another in promotional advertising.
- Naming of other airports in any form of media is prohibited.
- Interest or late fees.

In addition, Aero may (from time to time) augment the above list based upon project request and program experience.

STATEWIDE ACTIVITIES

In addition to the Air Service Program, under which airports may apply for funding assistance in four categories, the Office of Aeronautics may undertake projects aimed towards achieving additional program goals and objectives. These projects may include development of workshop/forum presentations and materials for statewide use in increasing awareness of air carrier airports and/or cargo service airports supporting and encouraging Michigan's economic growth and job retention.

EXCESS FUNDS

In the event that excess Air Service Program funds remain available after the initial allocation of funds (as prescribed in these guidelines), the Office of Aeronautics may recommend allocation to statewide activities or to airports requesting additional program funds based on identified need, economic necessity, and public benefit. An additional call for projects may be necessary. Projects chosen to receive excess funds will be selected at the discretion of the Office of Aeronautics and presented to the Commission for approval. *(MAC approved January 26, 2017)*

PROGRAM AREAS, ELIGIBILITY AND EVALUATION

AIRCRAFT RESCUE AND FIREFIGHTING

Aircraft Rescue and Firefighting Program Area Description

The purpose of this category is to address the annual need of certificated Part 139 airports to provide training for aircraft rescue personnel. Under this category, \$2,000 in state funds will be made available to airports for ARFF training. Under the program area, registration fees, meals, travel costs, and lodging will be eligible for reimbursement. The actual frequency will depend upon fund availability with a goal for 10% of total program funds to be allocated to this category.

Additionally, ARFF Air Service Grants may be provided to airports with a demonstrable need for training devices used to refine training procedures and improve ARFF techniques.

Aircraft Rescue and Firefighting Program Area Eligibility

<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>
Not Eligible	50% State/50% Local	90% State/10% Local	90% State/10% Local

Additionally, an eligible airport must be listed in the Michigan Airport System Plan and provide evidence of a current Part 139 Certificate issued by the Federal Aviation Administration.

Aircraft Rescue and Firefighting Program Area Grant Evaluation

Applications for ARFF projects will be evaluated upon the following criteria:

- Number of personnel to be trained
- Location of training
- Date of training
- Cost per participant
- Type, use, and replacement cost of a standalone training device

Upon completion, the airport must provide certified proof of attendance and an itemized breakdown of costs supported by documentation.

AIRPORT AWARENESS

Airport Awareness Program Area Description

The purpose of this category is to increase public awareness of community airports and available air passenger and air cargo services. Encouraging use of the local airport through education increases awareness of the facility, acceptance of new advanced commuter aircraft and a better understanding of schedules, destinations and fares.

The program focus involves increased concentration on educational activities for community awareness and media relations. Impacting these areas through greater involvement with service

organizations and local businesses cultivates potential users and increases knowledge of the economic benefits of services provided at the airport. Specific information about the airport facility and its services can be utilized by community leaders to attract new business or industry to the area.

It is crucial the media understands the airport’s role and its positive economic impact on the local community. Assisting and educating media representatives through forums and workshops results in increased communication and more informed media, important elements in impacting public perception and potentially impacting travel planning decisions for business and discretionary travelers. Increased passenger levels may assist some Michigan airports in achieving the required 10,000 annual enplanements to secure guaranteed federal entitlement funding.

The actual frequency of available funds will vary depending on program appropriation and the number of grants requested with a goal of 30% of the total program funds to be allocated to this category.

Airport Awareness funds may also be made available to airports currently establishing scheduled air carrier service. Published schedules in the Official Airline Guide (or other source approved by Aero) may be required to obtain funds. Please contact Aero for further information.

Airport Awareness Program Area Eligibility

<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>
Not Eligible	50% State/50% Local	90% State/10% Local	90% State/10% Local

Airport Awareness Program Area Grant Evaluation

Applications for airport awareness projects will be evaluated upon the following criteria:

- What is the purpose of the proposed projects? Explain how the project(s) could positively impact:
 - a) Passenger/cargo activity – How would the project help stabilize or increase the level of passengers using air or cargo services available? Consider market potential, actual passenger activity, leakage factors, nearest hub airport.
 - b) Role of airport in the community – How would the project increase the public’s understanding of the airport’s role in the community and positively impact the public awareness of the services available?
 - c) Community economic well-being – How would the project identify the importance of airport services to support the community’s existing economic base and job retention?
 - d) Changes in the local business climate – How would the project impact/identify use of airport services to encourage/support community growth and jobs, i.e., new or expanded hotel(s), tourist attractions, industrial parks, manufacturing facilities, new activities?

- e) Multimodal facilities – How does the project encourage use of multi-modal transportation facilities and distribution services which support airport utilization?
- f) Passenger travel or air cargo planning decisions – How would the project influence passenger travel or air cargo decisions? What information does it provide to the travel planner/agent?
- g) Media rapport – How would the project favorably impact the media to result in positive articles on the airport and airline services available?
- Description of the airport's proposed Airport Awareness Activity Plan – An Airport Awareness Activity Plan identifying the airport's proposed use of the total grant funds must be submitted to and approved by Aero prior to the plan's implementation. Development of the plan may be accomplished in-house by airport administration or, if necessary, through a consultant/agency. Costs incurred in-house to develop plans are considered administrative cost and are not eligible for reimbursement. An Airport Awareness Activity Plan should include both a communications and community awareness component.
 - a) Communications Activity Plan – Communications may consist of radio, television, outdoor advertising, newsprint, and targeted electronic marketing activities. Scripts for proposed radio, television, outdoor messages, and electronic marketing must be submitted. Website development is an acceptable use of airport awareness funds, but ongoing maintenance or subscription fees are not eligible.
 - b) Community Awareness Plan – A Community Awareness Plan may include items such as printed brochures, newsletters, and flight schedules. Other acceptable community awareness activities may include media workshops, airline or travel agency forums, materials for civic presentation, airport familiarization tours, airport open houses, and targeted electronic marketing activities. Use of grant funds for air shows is not eligible except where the activity is clearly directed toward information relating to the airport facility or the availability of air service as approved by Aero.

Airport Awareness Consultant/Agency Charges

If a consultant is used to plan and/or implement airport awareness activities, costs will be eligible as follows:

- Preparation of the Airport Awareness Activity Plan – No more than 3% of total grant dollars (total state funds plus local matching funds) may be utilized. No cost incurred prior to grant agreement execution is allowable.
- Implementation of Airport Awareness Activity Plan – Consultant/agency fees will be eligible for reimbursement up to 9% of the total grant dollars (total state funds plus local matching funds). Examples of plan implementation include concept development, strategy of implementation, and placement of media messages. No cost will be allowable after expiration of the grant agreement.

- Total of all charges and fees for preparation and implementation of plans rendered by consultant/agency shall not exceed 12% of the entire budget for airport awareness activities.

CAPITAL IMPROVEMENT AND EQUIPMENT

Capital Improvement and Equipment Program Area Description

The purpose of this category is to improve airport facilities for passenger acceptance, cargo handling, and airport operations to support air service and economic development. Current federal funding mechanisms (entitlement or discretionary) are unavailable for many types of facility enhancement projects. Consequently, those projects are often delayed or never initiated due to limited funds, pre-set priorities, and program guidelines. This program category will allow Michigan airports another funding mechanism for projects currently not undertaken through existing federal and state improvement programs such as interior terminal modifications, security equipment, flight information centers, defibrillators, ticket areas, ADA accessibility improvements, and cargo handling facilities.

The actual frequency of available funds will vary depending on program appropriation and the number of grants requested with a goal of 50% of the total program funds to be allocated to this category.

Capital Improvement and Equipment Program Area Eligibility

<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>
Not Eligible	50% State/50% Local	90% State/10% Local	90% State/10% Local

In addition, the airport must be listed in the Michigan Aviation System Plan.

Capital Improvement and Equipment Program Area Grant Evaluation

Applications for project requests will be evaluated based on the following criteria:

- Financial
 - a) Proof of local match.
 - b) Eligibility of the project under an existing federal or state airport improvement program and the probability of project being funded through that program.
- Safety
 - a) Projects that improve airport operations, safety, and security and/or enable it to meet current safety requirements will be given greater consideration.
- Equal Access
 - a) Projects that enhance access or help meet federal, state, or local equal access laws and the Americans with Disabilities Act will be given greater consideration.
- Air Service Program Goals and Objectives
 - a) Projects that directly address the Michigan Air Service Program goals and objectives will be given greater consideration and ensure project consistency.

CARRIER RECRUITMENT AND RETENTION

Carrier Recruitment and Retention Program Area Description

The purpose of this category is to assist in establishing, maintaining or increasing air service levels at Michigan airports which meet eligibility requirements. Appropriate levels of quality air service in Michigan improve accessibility to business and industrial centers, augment the state's tourism industry, encourage development of facilities, and support initiatives for community growth. Coordination of efforts between the local community and the state induces carriers to provide initial or expanded services.

Funding in this category is available for the following activities:

- Feasibility Studies – Airports which have potential for initial or expanded air service can receive funds for feasibility studies and business plans. The purpose of these studies would be to recruit a carrier to establish or expand existing service.
- Risk Sharing – Funding could be available to carrier(s) to minimize risk on certain routes where feasibility studies and community interest support such service.
- Incentives – Other inducements to recruit or preserve service could include assistance for airports for waiver of landing fees, baggage handling equipment, other equipment and operational needs as may be required by the airport.

The actual frequency of available funds will vary depending on program appropriation and the number of grants requested with a goal of 10% of the total program funds to be allocated to this category.

Carrier Recruitment and Retention Program Area Eligibility

All projects approved under this category will be available only for a limited time period, as the projects are not intended to provide long term continuing assistance. Airports meeting the following eligibility requirements may apply for assistance:

- Airports seeking to improve commercial air service or to retain existing services that are in danger of being lost.
- The airport under consideration for carrier recruitment grants should be outside of the service area of an existing air carrier airport, as determined by the Michigan Aviation System Plan and/or Policy Plan for Michigan Air Service.
- The airport infrastructure must be able to support takeoffs and landings by the designated aircraft or such improvement must be currently underway or have been committed.
- The airport must have a tourism facility or manufacturing plant(s) or business community within 20 miles or a commitment to build such within 20 miles must be evident.

- Non air carrier airports with passenger potential for profitable service, and a commitment from a certificated air carrier to start service using a nine-passenger aircraft or larger may be eligible. Please contact Aero for further information.
- The Following tier eligibility will also apply to carrier recruitment and retention eligibility:

<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>
Not Eligible	50% State/50% Local	90% State/10% Local	Not Eligible

Carrier Recruitment and Retention Program Area Grant Evaluation

- Feasibility study grants will be evaluated based on the service improvement requested, justification of requested service improvement, communication with potential air carriers, previously available service, and proposed timeline.
- Risk sharing grants will be evaluated base on feasibility study results, resolutions of support from the appropriate local government entities indicating financial willingness to support, evidence of economic viability of proposal, and agreements from airport management that bids for service will be competitively negotiated.
- Incentive grants will be evaluated based on the description of the incentive program, an explanation of how the incentive program will attract, improve, or retain service, an examination of competitiveness and fairness with regard to other airports.

CALL FOR PROJECTS

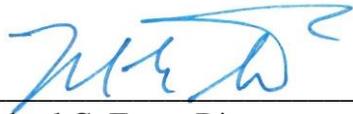
A “Call for Projects” will be established for submittal of applications for the Michigan Air Service Program. It is anticipated that a call for projects will be conducted annually.

APPLICATION FOR AIR SERVICE PROGRAM FUNDS

An application form has been developed for use in applying for funds under the Air Service Program. The applicant should attach additional pages providing the specific information requested under the Project Eligibility and Evaluation Criteria listed in this document for each program category. As updates to the form and this document become available, they will be provided to all airports.

Applicants are encouraged to provide any further information to assist Aero in the evaluation of project requests. Each proposed project will be evaluated by a team consisting of staff from Aero utilizing the criteria noted in this document.

This Air Service Program Guidelines document was approved by the Michigan Aeronautics Commission on November 9, 2016.



Michael G. Trout, Director
Michigan Aeronautics Commission