

COMMONWEALTH OF VIRGINIA

Governor's New Airline Service Incentive Fund



1. INTRODUCTION

The Commonwealth of Virginia has created a special non-reverting fund known as the Governor's New Airline Service Incentive Fund ("the Fund"). (See Va. Code §2.2-2320.1 and the 2021-22 Virginia budget, Item 112, attached as appendix B.) Moneys in the Fund shall be used, in the sole discretion of the Governor, for grants to airlines serving local, regional, national, and international airports in the Commonwealth of Virginia. Revenues in the Fund shall be used to support the development of additional commercial air services in the Commonwealth, provided that such service advances the goals established in the Commercial Air Service Plan most recently adopted.

The Fund shall be used by the Governor to provide or assist in the provision of marketing, advertising, or promotional activities by airlines in connection with the launch of new air passenger service at Virginia airports. The Secretary of Transportation, in consultation with the Secretary of Commerce and Trade and the Secretary of Finance, shall develop guidelines and criteria to be used in awarding grants from the Fund. The guidelines shall include a provision that a grant from the Fund shall not be awarded if it can be reasonably anticipated to result in the reduction of existing commercial air service at another airport located within the Commonwealth.

Marketing incentive funds are available for new nonstop services from the nine commercial airports within the Commonwealth.



The Governor's New Airline Incentive Fund was created to encourage airlines that currently serve the Commonwealth, as well as new entrant airlines, to initiate New Airline Passenger Service to markets that currently have no nonstop airline passenger service from the Airport, or that the Department of Aviation, (DOAV) has determined to have inadequate nonstop round-trip airline passenger service from the Airport.



2. CATEGORIES OF NONSTOP SERVICE ELIGIBLE FOR NEW AIRLINE INCENTIVE FUNDING:

- A. Nonstop Service to an Unserved Market
- B. Reinstating nonstop service in a market that has been completely suspended due to COVID-19.
- C. New Entrant Carrier service to a market currently unserved or a market with no nonstop service from the airport(s) the applicant plans to serve.

3. DEFINITIONS

For purposes of the fund, the following definitions apply:

- A. Director – The Director of the Department of Aviation
- B. Domestic Flights – Air service to a market within the United States.
- C. International Flights – Air service to a market outside of the United States, including service to cities in the Caribbean.
- D. Daily Service – at least four weekly roundtrip flights.
- E. Less Than Daily Service – one to three weekly roundtrip flights.
- F. Seasonal Service – a minimum of one weekly nonstop flights for less than twelve months.
- G. Market – A city or locality; not an airport.

4. CATEGORIES OF QUALIFYING AIR SERVICE

Any New Nonstop Airline Passenger Service is “Qualifying Air Service” if it is nonstop service and meets the criteria set out in this fund program. The Marketing Incentives are available for the first twelve months of service only. An applicant airline may apply for multiple routes throughout the Commonwealth and receive combined incentives up to a maximum of \$250,000.

Domestic Service Incentive Program

There are four Domestic Service Marketing Incentives Programs available. Eligible air service must provide at least one weekly flight to a destination.



- 1) Year-Round Service Marketing Incentives:
Daily – not to exceed \$25,000
Less than Daily – not to exceed \$15,000
- 2) Seasonal Service Marketing Incentives:
Daily – not to exceed \$10,000
Less than Daily – not to exceed \$5,000

International Service Incentive Program

There are four International Service Marketing Incentive Programs available. Eligible air service must provide at least one weekly flight to a destination.

- 1) Year-Round Service Marketing Incentives:
Daily – not to exceed \$50,000
Less than Daily – not to exceed \$25,000
- 2) Seasonal Service Marketing Incentives:
Daily – not to exceed \$20,000
Less than Daily – not to exceed \$15,000

5. APPLICATION PROCEDURE

Qualifying Airlines must meet the specific guidelines and program requirements outlined herein to receive marketing incentives:

- A. Each Applicant Airline must complete and submit the required application, Appendix A, and all documents required by this program. Applications must be post marked or e-mailed no less than forty-five (45) days prior to commencement of the qualifying service.
- B. The applicant shall submit a marketing plan that identifies:
 1. The air service to be promoted;
 2. The make, model of aircraft to be used, including the seating capacity as configured by the applicant.
 3. The proposed timeline of planned promotional activities;
 4. The media to be used in the promotion;
 5. The proposed budget for the promotion; and
 6. Contact information for the person representing the Applicant Airline.
- C. If the Applicant Airline has received authorization by the FAA pursuant to 49 U.S.C. 41102 to operate in interstate commerce within five years of filing an application for New Airline Service Incentive Fund shall provide links to its application to the FAA and to the final order authorizing the



service.

If the Applicant Airline has received FAA authorization more than five years before the application filed hereunder shall provide sufficient information with its application to demonstrated financial capacity to carry out the service for which funding is sought.

- D. The applicant is encouraged to provide all documentation it possesses or has access to that responds to the criteria for evaluation set out in the NASIF Criteria Document. That document is available on the Department of Aviation website, along with this program manual and is encouraged to supply any additional supporting information.

The information the applicant should supply includes information related to the economic impact of the applicant's plan, tourism, new jobs, local and regional support, state economic and tourism agency support and all other matters included in the NASIF Criteria Document.

6. FUND ADMINISTRATION

- A. The Director or his/her designee may request additional information as may be necessary for the proper, non-discriminatory application of the available marketing incentives.
- B. Marketing activities that may be supported by the Fund include, but are not limited to:
 - 1. Promotional events;
 - 2. Print advertisements, collateral materials, direct mail and other forms of print marketing;
 - 3. Multimedia advertising, such as TV, radio, social media and interactive; and/or
 - 4. Banners and signage.
- C. Marketing activities eligible for incentives hereunder will prominently and exclusively promote service between the Commonwealth Airport and the "qualifying air service" market.
- D. Marketing material must be submitted for review by the Director or his/her designee at least thirty (30) days prior to publication.
- E. To be eligible hereunder, advertisements and/or other promotional material(s) must feature the Commonwealth of Virginia or its designated



agency prominently in the copy. The content of all eligible marketing materials and activities will be subject to the prior written approval of the Director or his/her designee.

- F. All promotional materials eligible for participation must display the Commonwealth of Virginia or another designated agency logo if requested by the Director or his designee. Print and outdoor advertisements must display this logo for each instance in which a Qualifying Airline's logo appears. Logo size, placement and dimensions will be subject to the prior written approval of the Director or his/her designee.
- G. Approved marketing efforts will be funded on a cooperative basis with the Qualifying Airline funding the marketing program and the Commonwealth of Virginia through its designated agency reimbursing the marketing program after its execution, not to exceed the amounts specified in the Fund.
- H. All copy and creative material will be furnished at the sole cost of the Qualifying Airline (subject to reimbursement of eligible costs) and comply with the specifications of the DOAV.
- I. The Director or his/her designee must review and approve all marketing materials and expenditures before they will be qualified for reimbursement under this Fund. The Qualifying Airline must provide proof of all expenditures to be reimbursed.
- J. The Commonwealth of Virginia, through its designated agency, will reimburse a Qualifying Airline only after the completion of the marketing effort. Any expenses that were incurred without DOAV approval prior to the expenditure will be ineligible for reimbursement. Reimbursement will not exceed the Qualifying Airline's actual out of pocket cost of the eligible marketing expenditure. Actual costs must be documented to the satisfaction of the Director or his/her designee. Under no circumstances will a Qualifying Airline be entitled to reimbursement above the amounts specified in the Program.
- K. If an Applicant Airline that was determined to be eligible for incentives fails to satisfy the eligibility requirements set forth above and/or otherwise fails to comply fully with all the terms, conditions, and requirements of the Fund, the Airline will reimburse the DOAV for all financial incentives received under the Fund and the DOAV will no



longer be obligated to provide any incentives to the Airline under the Fund.

- L. The airline may adjust its frequency of service during the term of the agreement, however, the airline shall not decrease the frequency of service to less than fifty percent (50%) of the initial amount of published service, the calculation of which will be averaged over the course of the year. If the airline does not provide nonstop service in a market at a minimum of 50% of the frequency set forth in the application, then all amounts paid to the airline by the Commonwealth under this Agreement shall be refunded to the Commonwealth within thirty (30) days of the service falling below the 50% threshold.
- M. Each Applicant Airline will be responsible for obtaining all necessary permits, licenses, leases, and/or approvals relating to its use and/or occupancy of the Airport and the service sought to be promoted, before permission to undertake a marketing effort is granted.
- N. Each Qualifying Airline must meet all Program guidelines.

7. EVALUATION PROCEDURE, GRANT ADMINISTRATION

Representatives of the Secretaries of Transportation, Commerce and Trade and Finance and the Director will review each application, in consultation with other appropriate State officials. The Governor will decide each application for funding, in consultation with the Secretaries of Transportation, Commerce and Trade and Finance. The decision shall be based on a demonstration that the Qualifying Air Service and applicant shall meet the Program guidelines set out in the Program and fully complies with the criteria established for the Program. The Commonwealth and the Applicant Airline shall execute a performance agreement prior to the award of any grant funds.

The DOAV, or other designated agency of the Commonwealth, will have the right, at any time during a Qualifying Airline's reasonable business hours, to audit all marketing incentives reimbursed to the Qualifying Airline under the Fund. By accepting any such reimbursement from the DOAV, a Qualifying Airline agrees to cooperate with the DOAV and its representatives in the performance of this audit, and to make all of the Qualifying Airline's books and records available to the DOAV and its representatives either at the Airport or at the Qualifying Airline's location where such books and records are maintained in the ordinary course of the Qualifying Airline's business.



No grant from the Fund shall be awarded if it can be reasonably anticipated to result in the reduction of existing commercial air service at another airport located within the Commonwealth.

Submissions can be made electronically to greg.campbell@doav.virginia.gov or mailed to:

Greg Campbell
Director
Virginia Department of Aviation
5702 Gulfstream Road
Richmond, VA 23250-2422





**APPENDIX A
COMMONWEALTH OF VIRGINIA**

Governor's New Airline Service Incentive Fund Application

Air Carrier Information

Airline: _____

Address: _____

City/State/Zip: _____

Contact Person Name/Title: _____

Phone: _____

Fax: _____

Email: _____

Effective	Nonstop Market(s) Including VA Destination	Annual or Seasonal	Aircraft / Number of Seats	Weekly Roundtrips	Days of Operation

Please use following page for additional markets.

FOR DOAV USE	
Evaluated by: _____	Date: _____
Comments: _____	
<input type="checkbox"/> APPROVE <input type="checkbox"/> REJECT	
Signed By _____ Director	Date: _____



APPENDIX B

§ 2.2-2320.1. Governor's New Airline Service Incentive Fund.

A. There is hereby created in the state treasury a special nonreverting fund known as the Governor's New Airline Service Incentive Fund, referred to in this section as "the Fund." The Fund shall be established on the books of the Comptroller. All funds appropriated for such purpose and any gifts, donations, grants, bequests, and other funds received on its behalf shall be paid into the state treasury and credited to the Fund. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in the Fund, including interest thereon, at the end of a biennium shall not revert to the general fund but shall remain in the Fund. Moneys in the Fund shall be used, in the sole discretion of the Governor, for grants to airlines serving local, regional, national, and international airports in Virginia as provided in subsection B. Revenues in the Fund shall be used to support the development of additional commercial air services in the Commonwealth, provided that such service advances the goals established in the commercial air service plan most recently adopted pursuant to § [5.1-2.2:2](#). Expenditures and disbursements from the Fund shall be made by the State Treasurer on warrants issued by the Comptroller upon written request signed by the Executive Director of the Authority.

B. The Fund shall be used by the Governor to provide or assist in the provision of marketing, advertising, or promotional activities by airlines in connection with the launch of new air passenger service at Virginia airports in order to incentivize airlines that have committed to commencing new air passenger service in Virginia. The Secretary of Transportation, in consultation with the Secretary of Commerce and Trade and the Secretary of Finance, shall develop guidelines and criteria to be used in awarding grants from the Fund. The guidelines shall include a provision that a grant from the Fund shall not be awarded if it can be reasonably anticipated to result in the reduction of existing commercial air service at another airport located within the Commonwealth. The guidelines may require that as a condition of receiving any grant from the Fund an airline enter into a performance agreement or memorandum of understanding with the Commonwealth (i) setting a minimum number of nonstop roundtrip flights per week, a minimum number of nonstop roundtrip flights within 12 months of the start date of new air service, or a minimum passenger load factor, or any combination thereof, and (ii) providing that any grant received by an airline shall be repaid by the airline or reduced proportionately if such conditions are not met.

Commonwealth Biennial Budget 2021 – 2022 Item 112

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M.1. Out of the amounts in this item, \$425,000 the first year and \$825,000 the second year from the general fund shall be deposited to the Governor's New Airline Service Incentive Fund to assist in the provision of marketing, advertising, or promotional activities by airlines in connection with the launch of new air passenger service at Virginia airports, and to incentivize airlines that have committed to commencing new air passenger service in Virginia, pursuant to the provisions of § 2.2-2320.1, Code of Virginia.

2. Notwithstanding the provisions of § 2.2-2320.1, Code of Virginia, 25 percent of the annual appropriation to the Governor's New Airline Service Incentive Fund shall be set aside for projects in Virginia commercial airports with less than 400,000 enplanements per calendar year for the purposes of economic development in these areas. Enplanement data shall come from the Federal Aviation Administration.



APPENDIX C

Governor's New Airline Service Incentive Fund Evaluation Guidelines and Criteria

Introduction:

§ 2.2-2320.1 of the Code of Virginia establishes the Governor's New Airline Service Incentive Fund to be used at the discretion of the Governor to provide grants to airlines serving local, regional, national, and international airports in Virginia to support the development of additional commercial air services in the Commonwealth. The grants will provide or assist in the provision of marketing, advertising, or promotional activities by airlines in connection with the launch of new air passenger service at Virginia airports in order to incentivize airlines that have committed to commencing new air passenger service in Virginia. Grants applications will be evaluated using the guidelines and criteria established by the Secretary of Transportation, in consultation with the Secretary of Commerce and Trade and the Secretary of Finance.

Procedures:

The Director of the Department of Aviation will accept grant applications for funding from the Governor's New Airline Service Incentive Fund (NASIF). The Director or his or her designee shall evaluate the grant application for completeness and compliance with the Fund's established guidelines and criteria. If the application is found to be complete and in compliance, the Director will advise the committee of the receipt of an application within five (5) business days of receipt and will forward it to the committee for consideration.

A NASIF advisory committee comprised of representatives designated by the Secretaries of Transportation, Finance and Commerce & Trade and the Director of the Department of Aviation shall evaluate the grant applications received for funding through the NASIF.

The committee shall meet within thirty (30) days of receipt of a complete application from the Director. The committee shall make its recommendation to the Secretaries as to whether the airline's proposal should be funded, and, if so, the amount and any proposed conditions. The committee will make its recommendations within forty-five (45) days of its first meeting.



Following notification by the committee, if the Secretaries of Transportation, Commerce and Trade, and Finance concur, the Secretaries will submit to the Governor a recommendation to award the grant to the successful applicants. Once assistance from the Fund is approved and awarded by the Governor, a written performance agreement will be provided to the potential recipient.

The applicant shall execute the agreement with the Commonwealth prior to receiving funding under the NASIF.

Criteria:

The committee shall use the requirements and criteria set out below to evaluate a grant application from an airline for a NASIF grant.

1. The applicant has a current operating certificate from the Federal Aviation Administration to operate as a domestic airline.
2. The airline has current, required authorization from the Federal Aviation Administration to provide scheduled airline service at the airports for which the application seeks assistance.
3. The airline has received any required authorization and has agreements in place with the Virginia airport(s) to be served.
4. Evidence demonstrates that the proposed new routes will result in citizens of other states or nations flying to Virginia as tourists, business travelers or residents, or that the new routes will enhance the ability of Virginia residents to carry out business and other activities in the states or nations to be served by the new routes from Virginia airports.
5. Evidence of support by the region to be served by the new service and demonstration that the new airline service will benefit the region. This shall be shown by statements or demonstrations of support from the jurisdictions, local or regional economic development agencies and tourism agencies of the region and by financial participation in the new airline's service in amounts at least equal to the New Airline Service Incentive Fund amounts.



6. Evidence that the proposed routes do not directly compete with equivalent service provided at the same airport or any airport in the area served by the airport(s). An existing route shall not be considered to be equivalent if the proposed routes are nonstop and the existing route requires connection through another airport.
7. Evidence demonstrates a positive economic impact for the geographic area served by the airports proposed in the application.
8. There should be a positive Return on Incentive (ROI) for the Commonwealth. For an incumbent airline that seeks to add one or more routes from the airport at which it operates, the committee may recommend an award even if the ROI is not positive, if the routes are determined to provide positive gains in items 4, 5 or 7.

The ROI is a measure that compares the expected amount of state incentive funds used to assist the new airline service or new routes to the estimated state tax revenues resulting from the service, including when it is expected that the tax revenue generated from the service is expected to exceed the Commonwealth's incentive outlay. In determining ROI, the following criteria will be considered:

- a. New Jobs
- b. Wage Levels
- c. Overall Employment in the Commonwealth
- d. Capital Investment
- e. Area and Regional Unemployment, Poverty and Fiscal Stress

For items a. through e., the projections shall be for a minimum of thirty-six (36) months. Sixty (60) month projections are preferred.

9. Documentation that the plan is supported by the Virginia Economic Development Partnership, the Department of Aviation, Virginia Tourism and other appropriate state entities.
10. The airline must demonstrate financial capacity to provide the new service and new routes outlined in the grant application, and to repay applicable grant amounts in the case



of the airline's failure to provide the new services and routes for which the grant assistance was provided as set out in the grant agreement.

