

**Before the Office of The Secretary  
Department of Transportation  
Washington, DC**

# **Proposal of Elko, Nevada**

**DUNS# 08183311**

**For a Grant Under the  
Small Community Air Service Development Program**

**Docket OST-2008-0100**

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## A. Summary of Proposal

The Elko Regional Airport and its community partners herein apply for a grant under the Small Community Air Service Development Program. The focus of this grant is to address a current as well as a potential future air service deficiency

Currently, Elko's only scheduled air service is via SkyWest/Delta Connection turboprops to the Delta hub at Salt Lake City. The carrier has recently reduced service to four daily flights, down from six a year ago. This was not welcome news, in that it cut capacity. But looking ahead, the Airport is fully aware that SkyWest is actively considering the complete retirement of its fleet of 30-seat EMB-120 turboprops. Since there is no comparable replacement available for this airliner on the market, the net conclusion is that SkyWest will shift service to 50-seat jets.

As the Department knows, these 50-seat jets have substantially higher sector operating costs than an EMB-120 turboprop. The danger here is that Skywest will replace the four remaining turboprop flights (120 outbound seats total) with just two jet frequencies (100 seats). The decrease in capacity will be joined by the increased inconvenience and reduced connectivity represented by just two departure options.

Vision Air has announced its intention to begin service between Elko and Reno with a single morning rotation six days a week. While a specific start date has not been announced, indications are that service will begin in late summer. Reno and the capital district of Carson City are very important communities of travel interest with Elko. Furthermore, RNO is one of the major sources of traffic leakage from the EKO service area. The Airport and the Community believe the service will be successful, albeit with a single roundtrip planned at this time. A second flight would assure this success.

Elko is herein requesting a grant to support a second Vision Air round trip in the market. This will not only fill an existing air service deficiency, but will also tend to offset some of the decreased access represented by both the recent SkyWest reduction, as well as the near-certain cut in frequency to Salt Lake City that will result from the retirement of that carrier's EMB-120 fleet.

### **Grant Request Summary**

The Airport is requesting a modest grant in the amount of \$200,000 matched by \$10,000 in cash from the community, to provide Vision Air with a risk-offset mechanism to add a second round trip to Reno. These funds will be supplemented with in-kind airport fee waivers totaling \$85,000 from the Elko Regional Airport and \$175,000 in fee waivers from Reno/Tahoe International Airport.

It is noted that this service is operated with very fuel-efficient Dornier 328 airliners. This combined with the expected ridership represents low risk for the Department's grant funds.

**Contact**

Please direct all correspondence to:

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Airport Director  
Elko Regional Airport  
975 Terminal Way  
Elko, Nevada 89801  
Telephone: (775) 777-7190  
Facsimile: (775) 777-7193

## B. Elko Market Description

### 1. Elko Regional Airport Service Area

The Elko Regional Airport service area encompasses the majority of northeast Nevada, including nearly all of Elko County and portions of Humboldt, Lander, Eureka, and White Pine counties.

#### Elko Regional Airport Primary Service Area



There is substantial leakage from the region. Travelers within this region use other airports due to the presence of significantly lower fares or superior service patterns.

#### Drive Times from Elko Primary Traffic Leakage Airports

| Airport               | Mileage | Drive Time         |
|-----------------------|---------|--------------------|
| Salt Lake City (SLC)  | 230     | 3 hours 35 minutes |
| Reno/Lake Tahoe (RNO) | 290     | 4 hours 10 minutes |
| Boise (BOI)           | 251     | 4 hours 55 minutes |
| Las Vegas (LAS)       | 409     | 6 hours 30 minutes |

The primary sources of traffic leakage are Salt Lake City International and Reno, with some traffic from the northwest section of the primary service area leaking to Boise. The additional Vision Air service that this grant will support will substantially reduce leakage levels to RNO. Furthermore, the O&D demand between Elko and Reno will be met by this service, reducing road traffic.

### 2. Service Area Demographics

The population of the Elko Regional Airport service area approximates 51,321 with a total Effective Buying Income (EBI) in excess of \$881 million.

**Elko Regional Airport Primary Service Area Demographic Profile**

| County         | Population    | % of County Pop. | Service Area Population | Total County EBI       | Service Area EBI     | Per Capita EBI  |
|----------------|---------------|------------------|-------------------------|------------------------|----------------------|-----------------|
| Elko, NV       | 43,500        | 95%              | 41,325                  | \$722,230,000          | \$686,118,500        | \$16,603        |
| Eureka, NV     | 1,400         | 75%              | 1,050                   | \$24,373,000           | \$18,279,750         | \$17,409        |
| Humboldt, NV   | 14,300        | 60%              | 8,580                   | \$259,795,000          | \$155,877,000        | \$18,167        |
| Lander, NV     | 4,800         | 25%              | 1,200                   | \$75,693,000           | \$18,923,250         | \$15,769        |
| White Pine, NV | 8,300         | 2%               | 166                     | \$123,330,000          | \$2,466,600          | \$14,859        |
| <b>Total</b>   | <b>72,300</b> | <b>72%</b>       | <b>52,321</b>           | <b>\$1,205,421,000</b> | <b>\$881,665,100</b> | <b>\$16,851</b> |

Over the past 30 years, population in the primary service area has increased by an average of 3.5% annually, exceeding the national average. It is also in contrast to the reductions in scheduled air service frequency and capacity over the past five years. In light of the population trends, it is reasonable to assume that the reductions are the result of shifts in the airline industry, and not of any diminution of air travel demand in the Elko service area.

**3. Service Area Economic Base**

The economic base of the Elko Regional Airport service area consists of mining, manufacturing, ranching, gaming, tourism and outdoor recreation, and government services (Federal, State and local). Highlights of the regional economy include:

**Largest Employers in Elko Regional Airport Service Area**

| Employer                              | Community                               | Industry                               | # of Employees           |
|---------------------------------------|---|--|--------------------------|
| Elko County School District           | Elko                                    | Elementary and Secondary Schools       | 1,000 to 1,499 employees |
| Montego Bay Casino Resort             | West Wendover                           | Casino Hotels                          | 500 to 599 employees     |
| Queenstake Resources USA              | Elko                                    | Gold Ore Mining                        | 400 to 499 employees     |
| Elko County                           | Elko                                    | Executive & Legislative Offices        | 300 to 399 employees     |
| Elko Red Lion Casino                  | Elko                                    | Casino Hotels                          | 300 to 399 employees     |
| Wal-Mart SuperCenter                  | Elko                                    | Warehouse Clubs and Supercenters       | 300 to 399 employees     |
| Great Basin College                   | Elko                                    | Junior Colleges                        | 200 to 299 employees     |
| Northeastern Nevada Regional Hospital | Elko                                    | General Medical and Surgical Hospitals | 200 to 299 employees     |
| Mewmont Midas                         | Midas                                   | Gold Ore Mining                        | 200 to 299 employees     |
| Stockman's Casino                     | Elko                                    | Casino Hotels                          | 100 to 199 employees     |
| City of Elko                          | Elko                                    | Executive & Legislative Offices        | 100 to 199 employees     |
| Dynatec Mining Corporation            | Multiple Sites in Eko and Eureka County | Gold Ore Mining                        | 100 to 199 employees     |
| N A Degerstrom, Inc.                  | Elko                                    | Gold Ore Mining                        | 100 to 199 employees     |
| Ames Construction                     | Carlin                                  | Non-Residential Site Preparation       | 100 to 199 employees     |
| Newmong Mining Corporation            | Carlin                                  | Gold Ore Mining                        | 1,500 to 1,999 employees |
| Barrick Goldstrike Mines              | Carlin                                  | Gold Ore Mining                        | 1,500 to 1,999 employees |
| Fluor Daniel Enterprises              | Multiple Sites in Eko and Eureka County | Power/Communication System             | 300 to 399 employees     |
| Small Mine Development                | Crescent Valley                         | Non-Residential Site Preparation       | 20 to 29 employees       |
| Nevada Rae Gold                       | Crescent Valley                         | Gold Ore Mining                        | 20 to 29 employees       |

SOURCE: nevadaworkforce.com

As illustrated, tourism is the major component of the Elko economy, generating more than 38% of total employment. The focus of this activity is the five area casinos and a total of over 2,000 hotel rooms. In addition, the region also hosts outdoor activities (including the Ruby Mountain Range and Ruby Lake National Wildlife Refuge) and events such as the National Basque Festival and National Cowboy Poetry Gathering.

Other major economic activities include mining, ranching, and government. With respect to this last sector, state and local government employment in the Elko region increased over 200% between 1970 and 2005.

## C. Elko Air Service

### 1. Air Service Levels Have Declined Markedly

Scheduled air service at Elko Regional Airport has consistently declined over the past two years. From six daily flights in 2007, the airport will be down to four departures to SLC as of June 2008. The current schedules represent a more than 50% decline in frequency and capacity from just five years ago, indicating a precarious deterioration in air service at Elko Regional Airport.

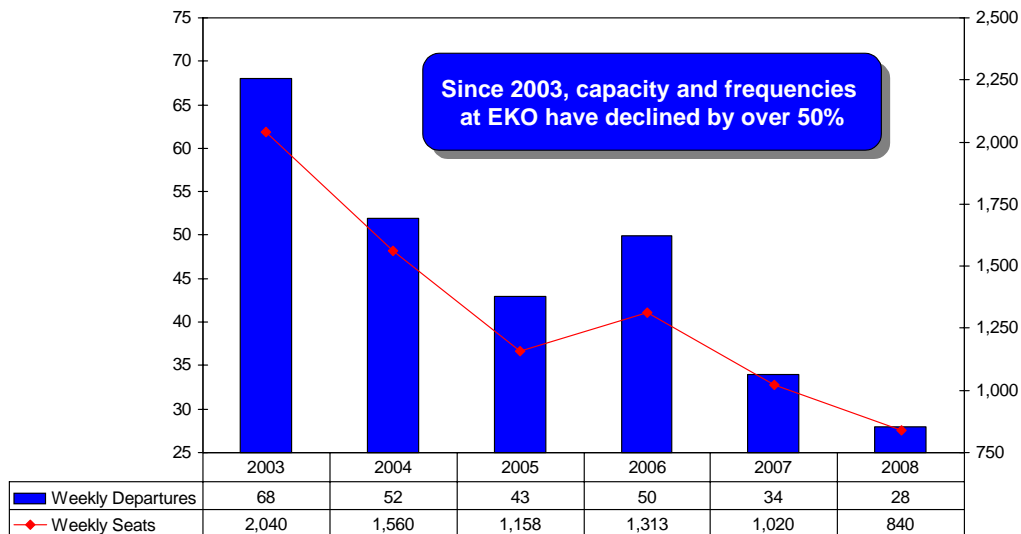
| Elko - Salt Lake City |          |          |           |   |          |
|-----------------------|----------|----------|-----------|---|----------|
|                       | Depart   | Arrive   | Sys. Car. |   | Aircraft |
| 3714                  | 05:30:00 | 07:35:00 | DL        | ( | EM2      |
| 3712                  | 08:21:00 | 10:25:00 | DL        | ( | EM2      |
| 3699                  | 14:00:00 | 16:03:00 | DL        | ( | EM2      |
| 3716                  | 18:20:00 | 20:22:00 | DL        | ( | EM2      |

| Salt Lake City - Elko |          |          |           |   |          |
|-----------------------|----------|----------|-----------|---|----------|
|                       | Depart   | Arrive   | Sys. Car. |   | Aircraft |
| 3712                  | 08:00:00 | 08:06:00 | DL        | ( | EM2      |
| 3699                  | 13:35:00 | 13:41:00 | DL        | ( | EM2      |
| 3716                  | 17:20:00 | 17:27:00 | DL        | ( | EM2      |
| 3719                  | 21:10:00 | 21:16:00 | DL        | ( | EM2      |

Source: Airports:USA® Schedule Data

## Frequency & Capacity Trends at Elko Regional Airport



SOURCE: Innovata, LLC schedule data extracted from Airports:USA® DataMiner

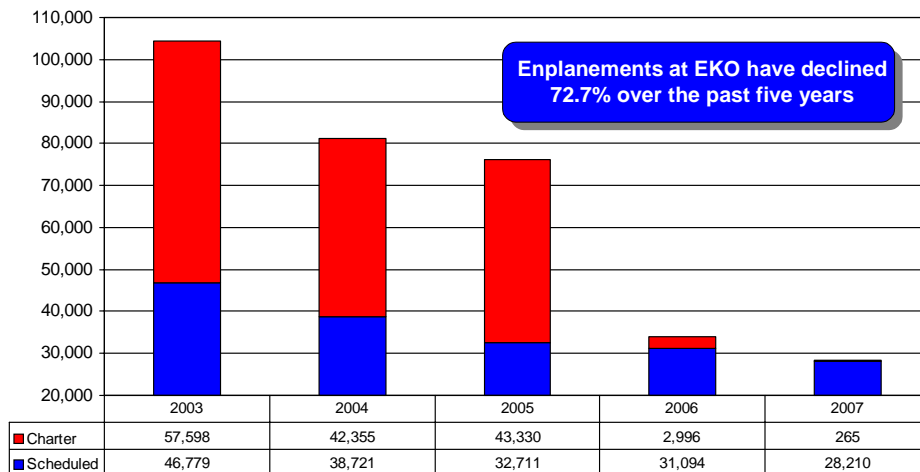
All flights are currently operated with SkyWest/Delta Connection EMB-120 turboprops. These are fine airliners, but the carrier has made it clear that they are fully intending to retire them in the near future. There are no comparable replacements. Therefore, the only option is for SkyWest to operate 50-seat jets in the market. Without any doubt, the higher costs of these airliners will result in the carrier further reducing frequency.

This grant, therefore, is intended to have a dual purpose. The first is to address the air service deficiency in the EKO-RNO market. The second is to have additional capacity in place in the event Delta Connection determines a need to reduce service at Elko. Alternatively, the Airport fears it would have to become subsidized under the Essential Air Service (EAS) program which, as the Department is well aware, already is facing a stretched budget due to high fuel prices.

**2. Enplanement Trends Reflect Declining Service Levels**

The declining levels of air service at Elko are resulting in higher levels of traffic leakage, which in turn, is reflected through declining enplanement levels. Over the last five years, enplanements on scheduled service has declined 39.7% whereas charter enplanements have fallen 99.6%. Overall, passenger enplanements at Elko have dropped 72.7% since 2003.

## Enplanement Trend at Elko Regional Airport



SOURCE: T-100 filings in Airports:USA® DataMiner

Following the free fall of the past five years, enplanements declined 9.3% on scheduled service during 2007. This should not, however, be considered an indicator of market stabilization. The recent additional cuts in capacity and frequency by Delta Connection are expected to have further negative consequences for enplanements at EKO.

### 3. Fares Represent A Challenge to Traffic Retention at EKO

Despite the significant driving distances involved, the disparity in fares between Salt Lake City and Reno on one hand and Elko on the other hand is a major contributor to traffic leakage.

A review of 20 top O&D destinations reveals what are far more than just minor differences in fare levels. The chart shows average gross fares (including taxes and fees) paid by consumers at Elko, Salt Lake City, and Reno.

#### Average Gross Fares By Market

| Market | Elko                | Reno     | SLC      |
|--------|---------------------|----------|----------|
|        | Average OW Net Fare |          |          |
| DEN    | \$242.97            | \$154.60 | \$106.60 |
| PHX    | \$297.80            | \$131.14 | \$131.14 |
| LAS    | \$298.62            | \$96.87  | \$113.83 |
| SEA    | \$299.27            | \$109.15 | \$148.98 |
| TUS    | \$351.43            | \$148.16 | \$181.40 |
| GEG    | \$370.50            | \$118.49 | \$145.90 |
| PDX    | \$305.57            | \$93.87  | \$153.76 |
| LAX    | \$311.88            | \$112.98 | \$127.06 |
| ATL    | \$468.22            | \$296.52 | \$296.74 |
| ABQ    | \$334.79            | \$162.59 | \$154.39 |
| MSP    | \$384.27            | \$235.76 | \$254.31 |
| OAK    | \$204.49            | \$86.23  | \$124.12 |
| DFW    | \$349.32            | \$224.97 | \$188.41 |
| GSP    | \$659.78            | \$335.60 | \$349.40 |
| IAH    | \$411.60            | \$209.72 | \$231.55 |
| BIL    | \$428.84            | \$230.41 | \$296.51 |
| COS    | \$340.52            | \$179.92 | \$213.57 |
| SNA    | \$314.90            | \$120.79 | \$150.56 |
| ONT    | \$315.20            | \$117.30 | \$145.74 |
| ORD    | \$414.81            | \$192.38 | \$194.32 |

Source: Airports:USA® Dataminer Data For Full Year 2007

To be sure, the additional Vision Air service that this grant will support will have limited effects on fare discipline in the market. However, any additional service and capacity can inject some fare discipline to the market. On another note, these high fares are clear proof as to the reason for leakage to RNO and SLC, and show that the 51% load factor registered by Delta Connection in 2007 was more a function of local cost instead of local traffic generation.

### 4. Peer Market Service Levels

A review of service levels at airports serving similar populations indicates that 1) air service levels at Elko Regional Airport are severely deficient and 2) these deficiencies are contributing to significant traffic leakage.

## Elko Service Levels v Peers

| Market                | Airport<br>Service Area<br>Population | Number<br>of Airlines | Nonstop<br>Destinations | Avg Weekly<br>Seats | Avg Weekly<br>Operations |
|-----------------------|---------------------------------------|-----------------------|-------------------------|---------------------|--------------------------|
| <b>Elko, NV (EKO)</b> | <b>51,300</b>                         | <b>1</b>              | <b>1</b>                | <b>1,650</b>        | <b>56</b>                |
| Lewiston, ID (LWS)    | 59,800                                | 2                     | 2                       | 6,184               | 92                       |
| Helena, MT (HLN)      | 62,400                                | 4                     | 4                       | 8,012               | 127                      |
| Casper, WY (CPR)      | 70,500                                | 3                     | 3                       | 5,736               | 122                      |

Source: Airports:USA DataMiner, July 2008 Schedule

Destinations only include hubsites and major cities. Intermediate stops are not counted

The hard fact is that Elko suffers a severe air service access deficiency. The recent capacity cuts by Delta Connection will only exacerbate this situation, and impending retirements of EMB-120 turboprops will be an impetus to cut frequency further.

### 5. Summary of Challenges Facing Elko Regional Airport

To summarize, despite a growing economic and expanding population base, the challenges facing Elko Regional Airport are numerous:

- The airport is served by one scheduled airline providing service to a single connecting hub;
- This environment inflicts severely higher fare levels on consumers, almost to the point that a four-hour drive to RNO is an economic necessity;
- Scheduled service enplanements have declined by nearly one-third over the past five years and planned cutbacks by the Delta Air Lines system will only make this situation worse; and
- The Vision Air service will be a necessary addition to support the economy of the population served by Elko Regional.

## D. Grant Proposal

### 1. **Overview: Risk Abatement for A Second Vision Air Flight**

Vision Air is planning a single daily round-trip schedule between Elko and Reno. This service will fill a very much needed gap, accessing the #2 commercial center in Nevada, as well as the capital, Carson City.

This grant will be used to provide risk-offsets for a second daily round trip. It is not intended nor will be used as a subsidy. It will be a financial safety net for the carrier in implementing this now vacant route. The levels of existing road traffic as well as latent demand in this market is felt to be able to support at least two daily flights.

### 2. **Marketing Plan Elements**

There will be a public awareness and marketing program that specifically targets the business segments that will use the service. These efforts will target professional companies, such as legal firms, lobbying firms, construction companies and mining interests.

### 3. **Program Goals**

The clear goal of this grant is to assure that the Vision Air service ramps up to profitability quickly. Clear passenger and revenue goals will be established and agreed upon. Only in the event that these goals are not reached will the risk abatement funding be used.

### 4. **Previous Air Service Development and Marketing Activities**

Over the past five years, the Airport has proactively worked to improve scheduled air service at Elko. This has involved marketing activities and presentations to numerous airlines, as well as market studies conducted by various consulting firms. The reality, however, is that limited resources have hampered Airport efforts to achieve increased ridership which, in turn, has prevented successful recruitment of additional capacity and service.

## E. Grant Administration

The Elko Regional Airport has the following plan for administration of grant and matching funds:

### 1. Grant Amount

|                          |                  |
|--------------------------|------------------|
| SCASD Grant Funds        | \$200,000        |
| <u>Local Match Funds</u> | <u>\$ 10,000</u> |
| Total Project Funds      | \$210,000        |

In addition, the Elko Regional Airport will contribute “in-kind” fee waivers valued at approximately \$85,000, while Reno/Tahoe International Airport will waive approximately \$175,000 in fees. With the addition of this \$260,000 “in-kind” contribution, total funding for the project with approximate \$470,000.

### 2. Term of Program

The marketing and promotion activities are intended to have a duration of one year. This term is believed a reasonable period in which to achieve the program objectives.

### 3. Project Reporting Plan

The community will complete negotiations with the carrier, determining agreed-upon cost and revenue factors for the Vision Air operation.

Specific per-flight revenue goals will be set, with a floor in regard to exposure of the program funds on a per-flight basis. This is envisioned to assure that some of the risk is borne by the carrier. At the end of each month, the revenue generation will be ascertained and compared to the agreed-amount of revenue guarantee. Any settlement will be made at the end of each three-month period.

### 4. Marketing Activities After Grant Term

The Airport fully understands that air service development and retention is a process and not an event, particularly in the case of small communities such as Elko. In this context, the Airport is committed to continuing marketing activities beyond the term of the program to be facilitated by SCASD grant funds.

To ensure that funds are available for such activity, the Airport intends to work with local partners – particularly in the important tourism sector – to build support for continued marketing of Elko Regional Airport and available air service. It is hoped that the success of the marketing program facilitated by the grant can be used to demonstrate the returns than can be realized from increased local funding.

## F. Summary of Proposal

### 1. Airport and Community Name

Elko, Nevada  
Elko Regional Airport  
975 Terminal Way  
Elko, Nevada 89801  
Telephone: (775) 777-7190  
Facsimile: (775) 777-7193

Designated Contact: Mr. Trent Moyers  
Airport Director

### 2. Project Sponsor

The official sponsor of this proposal is the Elko Regional Airport.

### 3. Additional Community Members

This proposal is supported by the Elko Convention Center & Visitors Authority, which is providing \$10,000 in matching community funds.

### 4. Project Description

This proposal requests \$200,000 in grant funds from the Small Community Air Service Development program. This funding will be matched by \$10,000 in locally-generated funds.

The goal of the \$210,000 fund is to address a major air service deficiency. It will incubate and support a second daily (weekdays with reduced week-end schedule) round trip between Elko and the important commercial center of Reno. These funds will be supplemented with "in-kind" fee waivers from EKO and RNO approximating \$260,000.

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

**SUMMARY INFORMATION**

All applicants must submit this information along with their proposal. In addition, applicants must also fill out 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

**X Community (or Consortium member) previously received a Small Community Grant**

**If previous recipient, expiration date of grant: 2005\_\_\_\_\_**

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

| <u>Public</u>                                      | <u>Private</u> |
|--|----------------|
| 1. <u>Elko Convention &amp; Visitors Authority</u> | 1. _____       |
| 2. _____   | 2. _____       |
| 3. _____   | 3. _____       |
| 4. _____   | 4. _____       |
| 5. _____   | 5. _____       |

**C. PROJECT PROPOSAL: (CHECK ALL THAT APPLY)**

- Marketing       Upgrade Aircraft       New Route
- Personnel      **X** Increase Frequency       Low Fare Service
- Travel Bank       Service Restoration       Subsidy

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Surface Transportation | <input type="checkbox"/> Regional Service          | <input type="checkbox"/> Other (specify) |
| X Revenue Guarantee                             | <input type="checkbox"/> Launch New Carrier        | _____                                    |
| <input type="checkbox"/> Start Up Cost Offset   | <input type="checkbox"/> First Service             | _____                                    |
| <input type="checkbox"/> Study                  | <input type="checkbox"/> Secure Additional Carrier | _____                                    |

**D. EXISTING LANDING AIDS AT LOCAL AIRPORT:**

- |                                   |  |                                 |
|-----------------------------------|--|---------------------------------|
| <input type="checkbox"/> Full ILS | <input type="checkbox"/> Outer/Middle Marker | X Published Instrument Approach |
| X Localizer                       | <input type="checkbox"/> Other (specify)     |                                 |

**E. PROJECT COSTS:**

Federal Amount Requested: \$200,000.00

Total local cash financial contribution: \$10,000.00

Airport funds: \_\_\_\_\_

Non-Airport funds: \_\_\_\_\_

State cash financial contribution: \_\_\_\_\_

Existing funds: \_\_\_\_\_

New funds: \_\_\_\_\_

Airport In-kind contribution: \$85,000.00 waiver of terminal rent and landing fees  
(amount & description)

Other In-Kind contribution: \$175,000.00 waiver of landing and gate fees at destination  
airport  
(amount & description)

Total cost of project: \$470,000

**F. ENPLANEMENTS:**

|                     |                    |
|---------------------|--------------------|
| 2000 <u>115,797</u> | 2004 <u>81,076</u> |
| 2001 <u>81,482</u>  | 2005 <u>76,041</u> |
| 2002 <u>88,856</u>  | 2006 <u>34,090</u> |
| 2003 <u>104,377</u> | 2007 <u>28,475</u> |

**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.
- X c. Program is not covered by E.O. 12372.

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

- X No
- Yes (explain) \_\_\_\_\_