

Coronavirus Economic Relief for Transportation Services (CERTS) Grant Program Industry Allocation Method and Grant Sizing Formula

This document details the industry allocation method and grant calculation formula for the Coronavirus Economic Relief for Transportation Services (CERTS) program.

Overview

The CERTS Act appropriated \$2 billion to make grants to transportation service providers that experienced a revenue loss of 25 percent or more, on an annual basis, as a direct or indirect result of COVID-19. Companies from the motorcoach, school bus, passenger vessel and pilotage industries were eligible for grants.

The CERTS program accepted applications for one month with a deadline of July 19, 2021. Treasury received 2,094 completed, signed applications and approved 1,462.¹ Total revenues for the approved grantees were \$17.2 billion for 2019 and \$8.8 billion for 2020, yielding annual lost revenues of \$8.4 billion. Of the approved grantees, women-owned businesses represented 22.8 percent, minority-owned businesses 33.4 percent, and veteran-owned businesses 6.9 percent.

Distributing the \$2 Billion Appropriation

The CERTS Act provided discretion as to how individual grant sizes were to be calculated and did not specify the timing or amount of payments to grantees.² Treasury's CERTS program guidelines, originally published May 6, 2021, and subsequently updated, established a policy that CERTS grants would be formula grants and that eligible applicants would not compete for funding. Rather, all approved applicants would receive a grant representing a fair and equitable share of the \$2 billion appropriated for the program, calculated on the basis of financial information provided by the applicants.

To achieve this outcome, Treasury implemented a methodology that (1) divided the funding into four discrete buckets for the four eligible industries, and (2) from the amount allocated to each industry, calculated individual grant payments for the companies within that industry. Because the program was significantly oversubscribed, the calculation of individual grant amounts within an industry was prorated to ensure the total of all grant awards remained within both the funding allocated to the industry and the overall \$2 billion appropriation.

¹ To see amounts awarded under the CERTS program by individual grantee, please visit Treasury.gov <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/coronavirus-economic-relief-for-transportation-services/Coronavirus-Economic-Relief-for-Transportation-Services-CERTS-Grant-Payments> or visit USASpending.gov Assistance Listing 21.028 <https://www.usaspending.gov/search/?hash=4c1709d6da4dd87fa28b589458e6b1d3>.

² The CERTS Act provides that, "[i]n determining the amount of assistance to be provided . . . , the Secretary shall take into consideration information provided by the provider of transportation services, including (i) the amount of debt owed by the provider of transportation services on major equipment, if any; (ii) other sources of Federal assistance provided to the provider of transportation services, if any; and (iii) such other information as the Secretary may require." These considerations are discussed below.

The calculations were executed twice, resulting in two payments to most grantees rather than one lump sum payment. The initial run of the methodology occurred after Treasury had adjudicated approximately 90% of the applications and allocated approximately 80% of the available funding, or \$1.6 billion, leaving \$375 million in reserve and \$25 million for program administrative expenses. The second run of the methodology occurred after Treasury completed its review of the entire pool of applicants, resulting in the final industry allocation of funds and a calculation for second, smaller “top off” payments as needed to distribute the remaining funds in accordance with the final allocation.

Executing two calculations and payments ensured that most approved grantees received the bulk of their funds as soon as possible, and that all grantees ultimately received the maximum award possible through a second payment. Performing the calculation only once and making only one payment to each grantee would have delayed everyone’s grant because Treasury would have had to complete its review of all applications before it could determine each approved applicant’s final share of the \$2 billion. Under the two-payment model that distributed 80% of available funds initially, the majority of grantees with straightforward applications received a payment quickly without having to wait for Treasury to complete the review of a small number of complex applications that required several additional weeks of research and outreach to determine the grant amounts.

Industry Allocation Method

The \$2 billion appropriation, less the program’s \$25 million in administrative expenses, was divided among the four eligible industries using the following method.

Three Weighted Inputs. Each industry’s share was calculated using three weighed inputs:

1. The industry’s annual revenue loss from 2019 to 2020 as a proportion of all industries combined (80% weight);
2. The industry’s capital intensity in 2019 as a proportion of all industries combined (10% weight);
3. The industry’s labor intensity in 2019 as a proportion of all industries combined (10% weight).

The following table shows the final outcome of each industry’s allocation of the \$1.975 billion based on the three weighted inputs, each of which is discussed in more detail below.

Industry	2019 to 2020 Revenue Loss (80% Weight)	Debt 2019 (10% Weight)	Employees 2019 (10% Weight)	Weighted Allocation	Industry Allocation Amount
Motorcoach	\$4,555,850,444	\$2,459,591,300	111,977	52.6%	\$1,039,501,870
Pass Vessel	\$1,563,048,033	\$1,347,274,857	13,965	18.1%	\$357,871,549
Pilotage	\$8,659,367	\$2,421,766	47	0.1%	\$1,758,831
School Bus	\$2,284,535,193	\$1,158,195,765	131,137	29.2%	\$575,867,750
Total	\$8,412,093,037	\$4,967,483,688	257,126	100%	\$1,975,000,000

Industry Lost Revenues. Industry annual revenue loss was measured by the difference in 2019 aggregate revenues and 2020 aggregated revenues as certified by applicants and substantiated by all available Federal income tax returns. Industry annual revenue loss represented the largest weighted input to the allocation (80%), to ensure the program’s scarce resources would provide equitable support based on the need of each industry. Annual revenue loss was also the largest weighted input to the industry allocation because the CERTS Act establishes significant revenue loss as the program’s mandatory eligibility factor.³

As reflected in the updated CERTS guidelines posted on August 12, 2021,⁴ Treasury divided total funding into four industry buckets primarily based on each industry’s size as measured by 2019 aggregate revenues. After thorough consideration, Treasury updated the guidelines and changed the primary basis for the industry allocation to be each industry’s lost revenues from 2019 to 2020, for two reasons. One, it ensured the allocation would be based on economic harm caused by the pandemic, rather than pre-pandemic circumstances. Two, it reflected input from stakeholders that an equitable distribution of funds among industries should reflect actual industry need and not simply industry size.

Labor Intensity. Labor intensity was measured by the number of employees in an industry reported by applicants for 2019. Labor intensity was a 10% weighted input to the amount of each industry’s allocation because the CERTS Act requires grant funds be used “on a priority basis” for payroll. Thus, the more labor-intensive industries received a slightly larger allocation of funds, without distorting the underlying 80% allocation based on harm caused by the pandemic.

Capital Intensity. Capital intensity was measured by the amount of debt on major equipment owed by the members of an industry in 2019. Capital intensity was a 10% weighted input to the amount of each industry’s allocation because, as noted above, the CERTS Act requires Treasury to take into consideration debt owed on major equipment when determining assistance amounts. Thus, the more capital-intensive industries, as measured by the proxy of debt on major equipment, received a slightly higher allocation of funds, since they would presumably have a greater need for funds, including for operations and maintenance on existing equipment.

Including capital intensity and labor intensity with 10% weights in the method resulted in offsetting increases and decreases in the industry allocation of funds. The net result was a shift of approximately 2% of the \$1.975 billion allocated among the industries.

Grant Sizing Formula

The amount allocated to an industry was divided into individual grants to the companies in that industry using a grant sizing formula with the following components.

³ The CERTS Act provides that an applicant must certify that it “experienced a revenue loss of 25 percent or more, on an annual basis, as a direct or indirect result of COVID–19.”

⁴ See CERTS Guidelines available here: <https://home.treasury.gov/system/files/136/CERTS-Guidelines-Updated-August-12-2021.pdf>

Company Annual Lost Revenues. Each company’s grant size was preliminarily determined based on its loss in revenues from 2019 to 2020. For example, a company with annual revenue losses of \$5 million would have a preliminary grant size of \$5 million. This component ensured that the basis for each company’s grant award was its economic need.

Proration. Given that aggregate revenue losses within an industry exceeded the industry’s allocation, each company’s preliminary grant size was prorated so that total awards remained within the industry allocation. The proration factor used to reduce each preliminary grant amount equaled the industry allocation divided by the total revenue losses of the industry. For example, if the amount of CERTS funding allocated to an industry was \$1 billion, and the lost revenues of the companies in that industry were \$4 billion, then a proration factor of 0.25 would be used to reduce each grant by 75%.

Minimum Grant Size. All prorated grants were subject to a minimum grant amount (floor) of \$20,000 to ensure that all grantees received an economically meaningful amount. Therefore, if a company’s prorated grant size was below the floor, it was raised to the floor, subject to the Individual Grant Cap discussed below. The cost of raising any grants to the minimum was covered by reducing the amount of each grant above the floor proportionately.

Individual Grant Cap. As noted above, the CERTS Act stipulated that the amount of a company’s CERTS grant, when combined with other Federal financial assistance provided to the company in response to COVID-19, shall not exceed the company’s total revenues for 2019. Therefore, if a company’s prorated grant size plus its other Federal financial assistance exceeded its 2019 revenues, then its grant award was reduced accordingly to comply with the statutory limit. Grant funds that became available due to this cap on individual awards were distributed by increasing the amount of all other grants proportionately.

Summary Results

The following table shows the final industry allocation, proration factors, and median and average grant sizes.

Eight (8) grantees had grant sizes limited by the Individual Grant Cap. The amount of funds that became available due to this cap was \$148,730 which was distributed by increasing the amount of all other grants proportionately.

Forty-nine (49) grantees had grant sizes raised to the minimum of \$20,000. The total cost of raising the grants to the minimum was \$210,622, which was covered by reducing the amount of each grant above the floor proportionately.

Industry	Industry Allocation Amount	Proration Factor	Median Grant Size	Average Grant Size
Motorcoach	\$1,039,501,870	22.8%	\$284,220	\$927,299
Passenger Vessel	\$357,871,549	22.9%	\$415,284	\$2,670,683
Pilotage	\$1,758,831	20.3%	\$163,039	\$175,883
School Bus	\$575,867,750	25.2%	\$411,659	\$2,938,101

Total	\$ 1,975,000,000	23.5%	\$304,677	\$1,351,814
-------	------------------	-------	-----------	-------------

These results reflect the second run of the allocation methodology conducted on October 07, 2021, after Treasury's adjudication of all applications. Any subsequent adjustments of grant amounts due to compliance issues or re-adjudications of eligibility may result in minor changes to the above figures.