



# CORONAVIRUS STATE FISCAL RECOVERY FUND

## Municipal Strengthening Fund

Program Guidelines

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GOVERNMENT OF PUERTO RICO



## Table of Contents

Program Overview .....	3
Background .....	3
Program Description .....	3
Points of Contact.....	4
Eligibility Criteria .....	4
Allowable Expenditures.....	4
Ineligible Expenditures.....	5
Process Overview .....	5
Compliance and Internal Controls.....	6
Reporting Requirements .....	7

## Program Overview

### Background

Since March of 2020, Puerto Rico, like most jurisdictions in the United States and countries around the world, has experienced an unprecedented emergency caused by the Coronavirus Disease 2019 (“COVID-19”) pandemic. To slow the spread of the disease and ensure stability of its healthcare system, the Government of Puerto Rico has implemented measures to address the emergency. On March 12, 2020, the Government of Puerto Rico issued Administrative Bulletin OE-2020-020 through which formally declared a state of emergency due to the imminent impact of the coronavirus in Puerto Rico.

During the state of emergency, Puerto Rico suffered great loss of life and severe economic hardships which have impacted a Commonwealth still reeling from natural disaster. Puerto Rico lost over 2,500 citizens, tourism dwindled with hotel registrations falling 95% from February to April 2020, and ~460,000 residents of Puerto Rico experienced unemployment, twice the previous number of unemployed individuals. Despite these hardships, Puerto Rico persevered, and with over 2,600,000 doses of COVID-19 vaccines administered, Puerto Rico is positioned to emerge from the COVID-19 pandemic.

To help Puerto Rico emerge from the COVID-19 pandemic, Congress passed the American Rescue Plan Act of 2021 (“ARP Act”), and the President signed it into law on March 11, 2021. To assist state governments with addressing the lingering public health emergency while targeting areas and industries in needs of economic development, the ARP Act established the Coronavirus State and Local Fiscal Recovery Fund, which provides \$350 billion in direct assistance to states, territories, counties, metropolitan cities, tribal governments, and non-entitlement units of local governments. As part of the Coronavirus State and Local Fiscal Recovery Fund, Puerto Rico received \$2.47 billion under the Coronavirus State Fiscal Recovery Fund (“CSFRF”).

To ensure the expeditious processing of apportioned funds from the CARES Act, the Government of Puerto Rico established the Disbursement Oversight Committee, consisting of the Secretary of the Department of the Treasury, the Director of the Office of Management and Budget (OGP), and the Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF). The Committee was created on May 15, 2020, by means of Executive Order No. 2020-040, and on May 7, 2021, by means of Executive Order No. 2021-034, the Governor of Puerto Rico extended the Committee’s oversight to include CSFRF.

### Program Description

On August 3, 2021, Governor Pedro Pierluisi announced the Municipal Strengthening Fund program (Program). This Program makes up to \$150 million in immediate CSFRF funds available to provide municipalities, as a last resort, with additional funding for eligible expenses should the municipalities find themselves unable to provide essential services to their residents.

Some local municipal governments rely on annual disbursements from Puerto Rico’s Equalization Fund. The Equalization Fund’s objective is to ensure equitable treatment to all municipalities, with increased focus on those that are economically disadvantaged. This Program provides assistance of last resort, up to \$50 million a year, for the provision of government services. The funds will be made available beginning in 2021 and subsequently on August 1, 2022, and August 1, 2023. Sufficient funds will be allocated to complete funds distributed every year up to the cap of \$50 million annually.

In addition to the allocation of \$50 million annually for Municipalities, the Government of Puerto Rico recognized the hurdles faced by some of the municipality personnel in managing and monitoring ARP

funds. For such purposes, this Program will allocate an amount of \$1 million dollars for the Federation and \$1 million for the Association of Mayors. This funding will be available in 2021, with a total cost of \$2 million dollars. These funds will be used by these organizations to train and qualify municipality personnel in ARP

Disbursement of Program funds will be subject to the strictest standards to ensure compliance with federal regulations and best practices. Therefore, each request for disbursement will be duly documented and subject to control and audit. Municipalities, by acceptance of CSFRF funds, agree to comply with any and all applicable state and federal regulations including Government issued Executive Orders.

## Points of Contact

The Program will be administered by the Coronavirus Relief Fund Disbursement Oversight Committee (Committee) in conjunction with the Office of Management and Budget (OGP), the Puerto Rico Department of Treasury (Hacienda), and the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF).

## Eligibility Criteria

Eligible Applicants must meet all the following criteria:

- Be one of Puerto Rico's seventy-eight (78) Municipalities that were negatively impacted by the reduction of available funds through the Equalization Fund in the revised Government of Puerto Rico Budget for the current fiscal year.
- Be the Federation of Mayors or the Association of Mayors
- Not have any remaining funds available from transfers, distributions or any awards received through a Coronavirus Relief Fund (CRF) Program. In the alternative, funds remaining must be obligated.
- Certify to abide by the Program's terms and conditions and all applicable laws, regulations, and guidance.
- Agree to return the Program funds, for failure to comply with any of the Program's eligibility requirements, or if the Program's funds were not spent on eligible expenses by December 31, 2024.

## Allowable Expenditures

Allowable expenses under this award must be:

- Necessary expenses:
  - For the provision of government services to the extent of the reduction in Puerto Rico's revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency
  - Government services can include, but are not limited to:
    - Maintenance of infrastructure or pay-go spending for building new infrastructure including roads
    - Modernization of cybersecurity including hardware, software, and protection of critical infrastructure
    - Health services

- Environmental remediation
- School or educational services
- Provision of police, fire, and other public safety services
- Expenses incurred during the period that begins on March 3, 2021, and ends on December 31, 2024.

For further guidance please refer to the [Guidance](#) published by the U.S. Treasury and the [Frequently Asked Questions](#).

*Other CSFRF Programs*

In addition to the Program detailed above, the Governor allocated funds for additional programs to address the public health emergency, ensure continuity of government services, address negative economic impact, provide premium pay, invest in water, sewer, and broadband infrastructure, and provide for provision of government services (up to lost revenue). Please visit <https://www.aafaf.pr.gov/coronavirus-state-and-local-fiscal-recovery-funds/> for additional information about these programs.

## Ineligible Expenditures

Ineligible expenses will be determined by the Committee, the U.S. Department of the Treasury, the Office of Inspector General (OIG), and other regulatory bodies, and under this award include, but are not limited to:

- Necessary expenses that have been covered or reimbursed, or that will be covered in the future, by other state or federal programs, including funds received through the CARES Act, CDBG or from FEMA;
- Paying interest or principal on outstanding debt, replenishing rainy day or other reserve funds
  - This includes short-term revenue or tax anticipation notes or paying fees or issuance costs associated with the issuance of new debt
- Paying settlements or judgments
- Deposits into any pension funds;
- Offsetting a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax; and
- Executive bonuses, debt refinancing, or other expenses that are determined to be unnecessary for continued operations in the COVID-19 environment.

For further guidance please refer to the [Guidance](#) published by the U.S. Treasury and the [Frequently Asked Questions](#).

## Process Overview

The following is intended to outline the process by which funds from the CSFRF will be distributed under the Program.

August 3, 2021	Award Announced
November 2021 – Funds Expended	2021-2022 Application period (52 million) (Phase I)

August 1, 2022 – Funds Expended	2022-2023 Application Period (\$50 million) (Phase II)
August 1, 2023 – Funds Expended	2023-2024 Application Period (\$50 million) (Phase III)
December 2021 – February 28, 2025	Monthly Use of Funds Reporting
December 31, 2024	Deadline for Award Funds to be Expended
January 31, 2025 – February 28, 2025	Program Audits Use of Funds Compliance and Recovery
February 28, 2025	Program Close

### *Requests*

Requests will be submitted electronically to AAFAF. Upon submission, Applicants will receive a confirmation via electronic mail. Applicants may submit requests up to the limit (CAP) included in these guidelines.

More information on forms, documents, and eligibility can be found on the web at: <https://www.aafaf.pr.gov/coronavirus-state-and-local-fiscal-recovery-funds/>

### *Evaluation*

For all requests, decisions will be evaluated for completeness and eligibility, and final determinations will be made by a representative from AAFAF. Each Request will be evaluated, and Program funds allocated using those pre-established in these guidelines.

The Disbursement Oversight Committee will review and approve funding award decisions.

### *Award and Funding*

Requestors will be notified via electronic mail of funding decisions. Subsequent funding opportunities will be determined based upon availability of funds remaining after completion of initial awards. Please note that for Phase II and Phase III, Municipalities must have spent funds from previous phases.

## Compliance and Internal Controls

Any government entity receiving funds must adhere to the Uniform Guidance, 2 C.F.R § 200 (“Uniform Guidance”). This Uniform Guidance outlines the “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”. Recipients and their personnel are responsible for reviewing, understanding, and applying the complete underlying legislation and guiding documents. For complete details on 2 C.F.R § 200, visit the [Electronic Code of Federal Regulations](#). Topics included in the Uniform Guidance include, but are not limited to:

- Procurement standards and requirements
- Contract cost and price principles
- Bonding requirements
- Document retention and auditing provisions

Any municipality that uses Municipal Strengthening Funds to fund new projects or expand projects significantly beyond pre-COVID-19 funding levels will do so in consideration of the [Evidence and Evaluation Guidelines](#) available from the U.S. Office of Management and Budget.

Additionally, municipalities should develop internal controls to avoid the appearance of shifting funds to non-eligible expenditures in order to obtain a greater amount of Municipality Strengthening Funds. Funds

should be appropriately segregated and accounted for to ensure that funds are not spent on prohibited items, including pre-existing debt or other financial obligations. Municipalities are required to notify the Government of Puerto Rico of any modifications to the repayment schedule for debt or other financial obligations.

Any government and non-government entity receiving Program funds will be required to retain use of funds records and supporting documentation for a period of five (5) years. Furthermore, by accepting CSFRF funds, government and non-government entities are required to certify proper and legal use of the funds and agrees to cooperate in any audit proceedings requested by the Government of Puerto Rico or other governing entity responsible for the compliant use of Program funds.

Furthermore, any government and non-government entity receiving Program funds will sign Terms and Conditions agreement in which they accept that by receiving CSFRF funds from the Government of Puerto Rico, and ineligible or fraudulent activities are evidenced, funds can be clawed back without further notice.

## Reporting Requirements

On an annual basis, the Government of Puerto Rico is required to submit a performance report detailing the progress and impact of the use of CSFRF funds. This Recovery Plan Performance Report will include descriptions of the projects funded and information on the performance indicators and objectives of each award, helping local residents understand how their governments are using the substantial resources provided by Coronavirus State and Local Fiscal Recovery Funds program.

The key output performance indicators for this Program include:

- Amount disbursed
- Number of Municipalities impacted
- Number of services provided

The key outcome performance indicators for this Program include:

- Change in instance of public service interruptions at the municipal level

To ensure timely reporting, the Government of Puerto Rico requires the Lead Agency to adhere to the following reporting frequency:

- On a quarterly basis, the Puerto Rico Department of Treasury will provide a summary of all program disbursements to date.
- On a quarterly basis, the lead agency will report the number of municipalities impacted.
- On a yearly basis, the lead agency will report the number of services provided.

To ensure timely reporting, the Government of Puerto Rico requires the Recipients to adhere to the following reporting frequency:

- On a monthly basis, the recipients will be required to submit monthly financial reports using the reporting template provided by the program. Upon program close, recipients will be required to submit a comprehensive final financial reconciliation report detailing the use of program funds.

- Recipients agree to provide such information as is necessary for the Government of Puerto Rico to comply with Treasury's [Compliance and Reporting Guidelines](#).

As reporting needs may change over time, the Program reserves the right to request additional data from the Lead Agency or Recipients at any time.

<b>MUNICIPIO</b>	<b>ASIGNACIÓN</b>
ADJUNTAS	\$ 934,636.13
AGUADA	\$ 843,147.70
AGUADILLA	\$ 253,444.33
AGUAS BUENAS	\$ 951,583.13
AIBONITO	\$ 791,665.00
AÑASCO	\$ 663,891.22
ARECIBO	\$ 175,295.47
ARROYO	\$ 836,618.58
BARCELONETA	\$ 503,850.42
BARRANQUITAS	\$ 1,149,010.13
BAYAMÓN	\$ 114,578.19
CABO ROJO	\$ 67,163.09
CAGUAS	\$ 228,988.22
CAMUY	\$ 927,922.61
CANÓVANAS	\$ 600,451.76
CAROLINA	\$ 463,759.27
CATAÑO	\$ 939,133.08
CAYEY	\$ 193,372.25
CEIBA	\$ 716,105.94
CIALES	\$ 809,826.64
CIDRA	\$ 506,272.44
COAMO	\$ 833,131.68
COMERÍO	\$ 1,210,484.41
COROZAL	\$ 1,077,863.75
CULEBRA	\$ 342,055.18
DORADO	\$ 50,335.86
FAJARDO	\$ 311,127.13
FLORIDA	\$ 910,309.24
GUÁNICA	\$ 849,212.37
GUAYAMA	\$ 174,536.49
GUAYANILLA	\$ 779,183.76
GUAYNABO	\$ 180,862.02
GURABO	\$ 402,727.87
HATILLO	\$ 448,325.95
HORMIGUEROS	\$ 536,774.06
HUMACAO	\$ 98,201.16
ISABELA	\$ 600,843.21
JAYUYA	\$ 812,016.21

JUANA DÍAZ	\$	604,312.96
JUNCOS	\$	608,247.42
LAJAS	\$	727,668.00
LARES	\$	1,016,977.19
LAS MARÍAS	\$	861,522.67
LAS PIEDRAS	\$	498,624.27
LOÍZA	\$	1,082,180.04
LUQUILLO	\$	502,422.24
MANATÍ	\$	465,502.57
MARICAO	\$	677,250.90
MAUNABO	\$	908,114.70
MAYAGÜEZ	\$	183,028.19
MOCA	\$	893,827.21
MOROVIS	\$	1,093,012.54
NAGUABO	\$	755,323.60
NARANJITO	\$	1,125,632.06
OROCOVIS	\$	1,182,936.12
PATILLAS	\$	854,670.51
PEÑUELAS	\$	615,479.62
PONCE	\$	262,765.06
QUEBRADILLAS	\$	820,597.45
RINCÓN	\$	666,657.54
RÍO GRANDE	\$	122,952.23
SÁBANA GRANDE	\$	784,826.73
SALINAS	\$	809,341.16
SAN GERMÁN	\$	623,729.42
SAN JUAN	\$	184,283.48
SAN LORENZO	\$	822,233.68
SAN SEBASTIÁN	\$	712,845.86
SANTA ISABEL	\$	628,795.75
TOA ALTA	\$	643,849.67
TOA BAJA	\$	225,905.04
TRUJILLO ALTO	\$	446,213.42
UTUADO	\$	1,052,980.34
VEGA ALTA	\$	564,348.81
VEGA BAJA	\$	394,646.57
VIEQUES	\$	604,223.52
VILLALBA	\$	1,108,505.68
YABUCOA	\$	868,212.91
YAUCO	\$	706,646.88
TOTAL	\$	50,000,000.00