

STRATEGIC DISBURSEMENT PLAN

CORONAVIRUS RELIEF FUND

GOVERNMENT OF PUERTO RICO

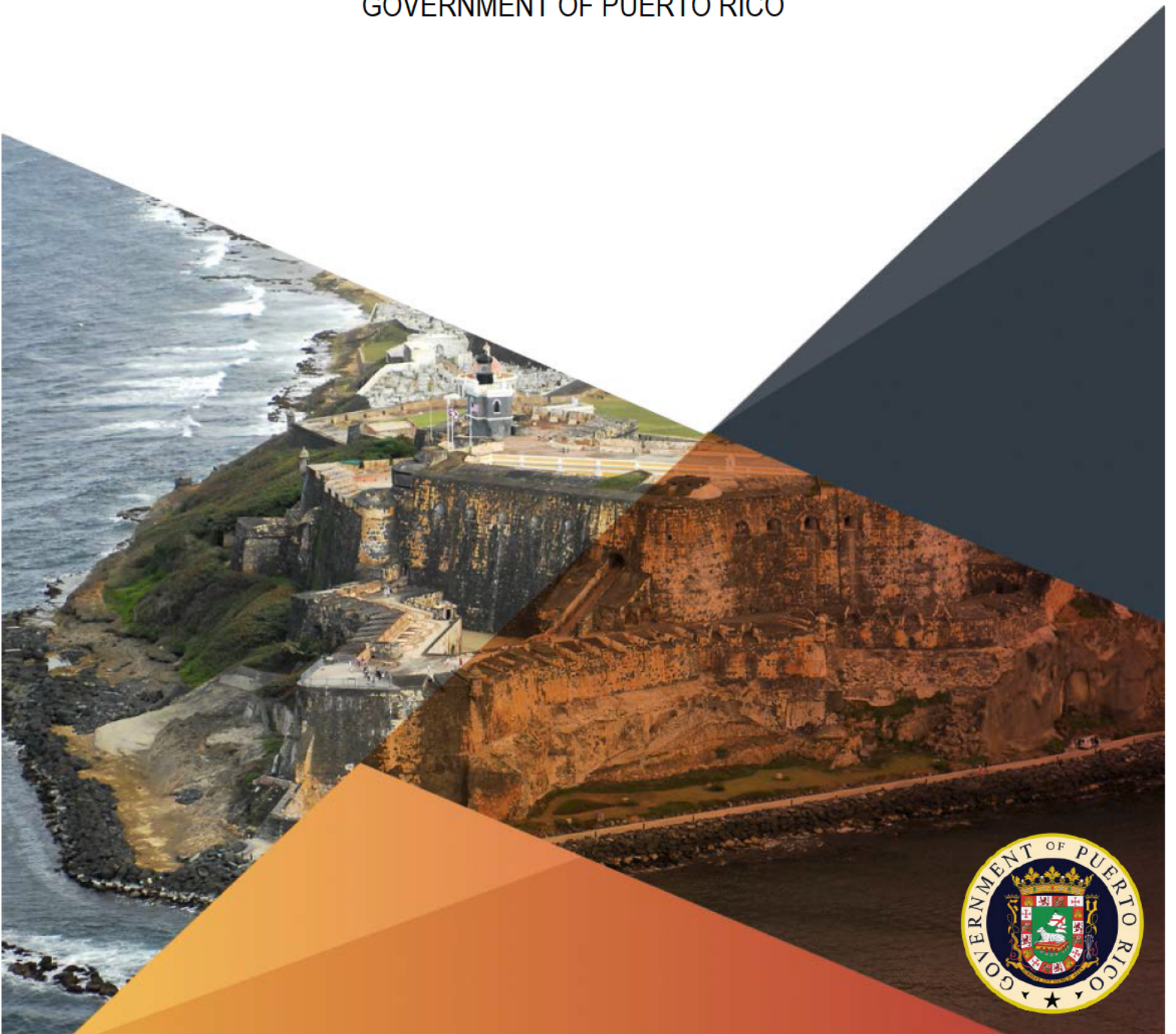


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INTRODUCTION

Puerto Rico, like the vast majority of jurisdictions in the United States and other Countries in the world, is experiencing an unprecedented emergency as a consequence of the COVID-19 pandemic. Since the beginning of the emergency, the Government of Puerto Rico has implemented measures to address the emergency. On March 12, 2020, the Hon. Wanda Vázquez Garced issued Administrative Bulletin OE-2020-020 through which she formally declared a state of emergency due to the imminent impact of the coronavirus in Puerto Rico. On that same date, the Governor of Puerto Rico issued Administrative Bulletin OE-2020-21, to grant a special leave to public employees who present suspicious symptoms and/or are diagnosed with COVID-19. Likewise, the Governor issued Administrative Bulletin OE-2020-022 to order the use of the personnel and equipment of the Puerto Rico National Guard Medical Unit to support the Department of Health and other government entities to face the emergency caused by the COVID-19 pandemic.

Subsequently, and being pioneers in the Nation implementing pandemic response efforts, on March 15, 2020, Administrative Bulletin OE-2020-023 was issued, through which a government and private sector closure was decreed to combat the effects of COVID-19 and control the risk of contagion on the Island. This curfew and closure have been instrumental in containing infections and in allowing the Puerto Rico health system not to be overloaded with patients with COVID-19. This has been recognized by the COVID-19 Medical *Task Force* created through Administrative Bulletin OE-2020-026. However, given the seriousness of the pandemic, the mandatory lockdown and the curfew had to be extended and modified on several occasions by Administrative Bulletin OE-2020-029, 2020-032-OE, OE - 2020-033, OE-2020-034, OE-2020-37, and OE-2020-38.

Furthermore, through Administrative Bulletin OE-2020-030, a mandatory fourteen-day quarantine was ordered for all passengers entering Puerto Rico through the Luis Muñoz Marín International Airport. At the same time, the Effective Surveillance and Disclosure System of the Prevalence in Puerto Rico of the Coronavirus Pandemic was established, through which all health facilities on the Island (both public and private) report daily to the Department of Health all cases suspected, probable, negative or confirmed of COVID-19.

In addition to these health-related measures, an Economic *Task Force* was appointed with more than fifty representatives from various sectors of the private sector. Economists and a representative from the organized labor are also part of this working group. The economic *Task Force's* main task is to advise the Government of Puerto Rico regarding measures that can be implemented during and after the mandatory closure and the curfew to protect employees in the private sector and stimulate our economy. Furthermore, this group has also been developing measures that can be implemented by the private sector as part of a phased reopening plan.

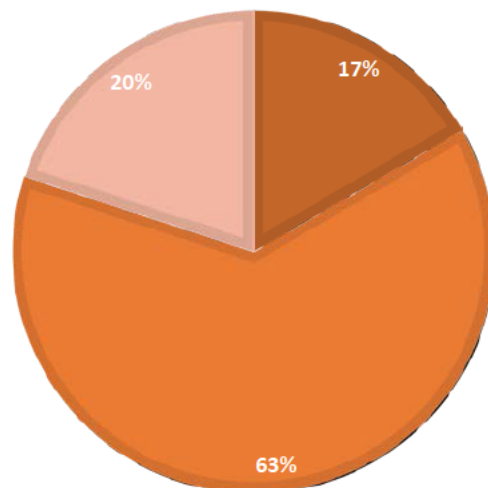
STRATEGIC PLAN TO REACTIVATE OUR ECONOMY, SUPPORT OUR BUSINESSES AND PROTECT OUR WORKERS

Conscious of the need to implement strong measures that would meet the economic crisis caused collaterally by the pandemic of the COVID-19, during the month of March the Governor approved the *Strategic Plan to revive our economy, to support our businessowners and protect our workers*, which consists of multiple measures totaling \$787 million. Among the main initiatives included in said plan, which was endorsed by the Financial Oversight and Management Board for Puerto Rico through Joint Resolution 23-2020, are \$100 million to provide a payment of \$500 to self-employed individuals and \$60 million to provide \$1,500 as emergency assistance to small and medium-sized businesses due to disruption of operations. These short-term grants have provided temporary relief to our entrepreneurs, who have seen their incomes reduced as a consequence of the emergency caused by the COVID-19 pandemic.

In addition, in recognition of the risk they are assuming and the commitment to the People of Puerto Rico, as part of said plan, hazard payments were made to first responders and health professionals, both in the public and private sectors. Similarly, hundreds of millions of dollars were allocated to the Department of Education for the purchase of equipment and software for distance education programs. Likewise, more than a million dollars were assigned to the University of Puerto Rico for the development of research related to COVID-19.

SOURCE OF FUNDS

■ Federal Funds ■ General Fund ■ Budget Reallocation



CORONAVIRUS RELIEF FUND - THE CARES ACT

As part of the measures to deal with the emergency caused by the COVID-19 pandemic, the Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). This statute contains multiple sources of aid for citizens, businesses, as well as for state and territorial governments. Among the measures included in the CARES Act is the creation of the Coronavirus Relief Fund (“CRF”), which was funded by an initial allocation of \$150 billion. These funds must be distributed by the Department of the Federal Treasury to the fifty states, Washington DC, local governments, territories and governments of Native American tribes, according to certain parameters

In the specific case of the territories, the CARES Act established that they would separate \$3 billion from the \$150 billion to be distributed among said territories using the population estimate most recently published by the Census as a basis. The U.S. Treasury Department after making the corresponding distribution based on the estimates of the Federal Census for the year 2019, determined that the Government of Puerto Rico would receive \$2,240,625,863.80 under the CRF. The distribution for all the territories was as follows:

	Population, 2019	Share of Total Population	Allocation
District of Columbia	705,749	0.1650	\$495,138,063.60
Puerto Rico	3,193,694	0.7469	\$2,240,625,863.80
American Samoa	50,135	0.0117	\$35,173,619.50
Guam	168,147	0.0393	\$117,968,257.80
Northern Mariana Islands	51,718	0.0121	\$36,284,217.70
Virgin Islands	106,631	0.0249	\$74,809,977.60
Total	4,276,074	1.0000	\$3,000,000,000.00

In order to receive these funds in a timely manner, the Puerto Rico Department of the Treasury opened a new bank account at a private financial institution in Puerto Rico. On April 20, 2020, the Treasury Department transferred the **\$2,240,625,863.80** to the Government of Puerto Rico. These funds are segregated in the aforementioned bank account, under the custody of the Puerto Rico Department of Treasury.

ELIGIBLE AND INELIGIBLE USES OF THE FUNDS PROVIDED BY THE CRF

As part of the creation of the CRF, Congress stipulated in Section 5001 of the CARES Act that the funds to be distributed would be subject to various limitations.

1. They must be used for necessary expenses incurred as part of the emergency caused by COVID-19;
2. The expenses covered by said funds cannot have been previously budgeted as of March 27, 2020, the date on which the CARES Act was approved; and
3. Funds must be incurred between March 1, 2020, and December 30, 2020.

In addition to these three main conditions, the U.S. Treasury Department issued guidelines that interpreted these limitations and established additional parameters for the disbursement of these funds. In that sense, the U.S. Treasury Department stipulated that the first limitation that Congress imposed refers to the fact that the funds must be used to finance actions taken to respond to the public health emergency caused by COVID-19. This includes direct measures, such as medical needs, as well as indirect actions to respond to the situation, such as financial aid to those who have suffered losses due to the mandatory closings caused by COVID-19.

However, the guidelines of the U.S. Treasury Department expressly state that CRF funds **cannot be used to cover loss of income of government entities**. Nor can these CRF funds be used to cover other ineligible expenses under CARES. It is clear then that by statutory provision, the funds received by Puerto Rico as part of the CRF are not unrestricted.

Regarding the term "necessary", the U.S. Treasury Department stated in its guidelines that it would be interpreting it broadly, as long as the expense to be incurred is reasonably necessary according to the reasonable judgment of the government official in charge of the disbursements.

Regarding the second requirement, the U.S. Treasury Department mentioned that the requirement of not having been budgeted as of March 27, 2020 is met, as long as the expense cannot be legally financed with a budgeted item, or, the expense is for a matter substantially different from any budgeted item. The concept of "most recently approved budget" refers to the approved budget for the fiscal year, without taking into account special allocations or budget reallocations approved in response to the COVID-19 emergency. It is important to mention that the U.S. Treasury Department makes it clear that an expense will not be considered to have been budgeted merely because it can be covered through an emergency fund or reserve account.

Finally, regarding the requirement to incur costs on or before December 30, 2020, the U.S. Treasury Department establishes that the cost will be considered "incurred" when the funds to cover it have been spent by the government. In accordance with our law, we can conclude that this refers to the fact that the funds have been disbursed.

On the other hand, the Puerto Rico Department of the Treasury decided that funds from the CRF may **not** be used for the following, among other things:

- × Expenses for the State share of Medicaid;
- × Damages covered by insurance;
- × Payroll or benefits expenses for employees whose jobs are not substantially dedicated to mitigating or responding to the COVID-19 emergency;
- × Expenses that have been, or will be, reimbursed by any other federal program, including others established in the CARES act itself;

- × Reimbursement to donors for donations of goods or services;
- × Employee bonuses, except overtime or “hazard pay”;
- × Severance pay;
- × Legal settlements.

Furthermore, these guides establish several examples of eligible uses. Among these the following stand out:

- ✓ COVID-19 related medical expenses;
- ✓ Expenses associated with public health issues related to COVID-19;
- ✓ Payroll expenses for public safety, public health, health care, human services and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency;
- ✓ Expenses aimed at facilitating compliance with public health measures to respond to the COVID-19 emergency;
- ✓ Expenses associated with financial assistance to deal with situations caused by the COVID-19 emergency (“business interruption”);
- ✓ Any other expense reasonably necessary to exercise eligible government actions.

PLAN FOR THE USE OF THE FUNDS ALLOCATED TO PUERTO RICO UNDER THE CRF

As established by Congress in the CARES Act and guidelines issued by the Puerto Rico Department of the Treasury, the Governor has developed a plan for the use of the allocation of the CRF to the Government of Puerto Rico, which amounts to \$2,240,625,863.80. Said plan addresses both government needs (mainly associated with attending to the public health emergency and continuing government operations) and those of the private sector, which has been severely affected by interruption of operations.

Among the main points that we highlight in the government component, is the allocation of funds to expand and continue the COVID-19 testing program (both rapid tests and molecular tests), as well as the screening and isolation program for people infected with or suspected of being infected with COVID-19. This will be fundamental to attend to the emergency, contain the spread, as well as prepare a short, medium and long-term plan for the gradual reopening of public and private sector operations on the island. Likewise, the purchase of personal protective equipment and materials, as well as the allocation of funds to continue government operations remotely where necessary.

On the other hand, regarding expenses related to the private sector, we highlight the allocation of funds to provide assistance to various industries and business that are the backbone of the Puerto Rican economy. Among these, hospital institutions stand out, which are a fundamental piece to attend to this emergency. Similarly, funds are set aside to provide assistance to the tourism industry which has experienced and will continue to experience a crisis during this unprecedented emergency.

On the other hand, funds are allocated to establish a private sector payroll protection program through which employers who have continued to pay their employees will be partially reimbursed for said expenses. This program will assist those businesses that have been unable to qualify for similar programs offered by the Federal Government, including the Small Business Administration's ("SBA") Payroll Protection Program. In addition, funds are set aside to provide emergency assistance to small and medium-sized enterprises ("SMEs") and self-employed individuals who have experienced losses due to disruption of operations as a direct consequence of COVID-19. The Government of Puerto Rico intends to maximize the funds allocated for these purposes, so that the greatest number of businesses and individuals can benefit. Certainly, in addition to public health measures, stimulating our economy and protecting our employees will be essential for the Island's economic recovery in the short, medium and long term.

The disbursement of these funds will be subject to the strictest standards, to ensure compliance with federal regulations and best practices. Therefore, each request for disbursement, both by the public and private sectors, must be duly documented and will be subject to controls and future audits. The Government will periodically evaluate the different programs and measures and, if needed, will reprogram unused funds to other eligible programs.



Emergency Assistance - Public Hospitals

Description: Allocation of funds for all public hospitals of the Government of Puerto Rico and the instrumentalities of the Executive Branch, and municipalities for eligible and necessary expenses related to the COVID-19 emergency. These expenses include, among others, medicines to treat symptoms of COVID-19, equipment, materials, personal protective equipment, ventilators, the establishment of negative pressure and isolation rooms, the purchase of disinfectant products, as well as tests for COVID-19.

Restrictions: Funds may only be used for eligible expenses. These funds may not be used for expenses that have been or will be reimbursed by other federal programs, including funds received through the CARES Act's Public Health and Social Services Emergency Fund or from the Federal Emergency Management Agency ("FEMA").

Investment: \$50,000,000

Lead Agencies: Department of Health and OGP

COVID-19 Testing and Contact Tracing Program

Description: Massive acquisition of COVID-19 tests (both rapid and molecular tests). Funding to continue and expand the contact tracing program to track and isolate people infected with or suspected of being infected with the virus. This includes expenditures on the technological infrastructure to implement said programs. These acquisitions will be in addition to those that may be made under FEMA Category B.

Investment: \$150,000,000

Restrictions: Funds may only be used for eligible expenses. These funds may not be used for expenses that have been or will be reimbursed by other federal programs, including any from the Federal Emergency Management Agency ("FEMA").

Lead Agencies: Department of Health, PRITS and OGP

Transfer to the 78 Municipalities for Eligible Expenses

Description: Transfer of CRF funds to municipalities for eligible expenditures related to the COVID-19 emergency, as provided in CARES and in the guidance issued by the U.S. Department of Treasury.

Investment: \$100,000,000

Restrictions: Funds may only be used for eligible expenditures related to the COVID-19 emergency, as provided in CARES and in the guidance issued by the U.S. Department of Treasury. The funds must be spent on or before December 30, 2020.

Lead Agencies: Puerto Rico Department of the Treasury and OGP

Acquisition of Materials and Personal Protective Equipment

Description: For the purchase of protective, disinfecting and cleaning equipment and materials to be distributed in all government facilities, including police headquarters, fire stations, government centers, facilities where services are provided, hospitals, schools, courts and others. This includes, but is not limited to, masks and respirators, gloves, face shields, hand sanitizers, alcohol, soap, disinfectants, thermometers, infrared cameras, wipes, and disinfection stations. This also includes minor renovations or construction works in public buildings to promote social distancing. The inclusion of the private and non-profit sector in the distribution of these materials and equipment will be evaluated, as the Government establishes a centralized distribution center. Purchases under this line will be additional to those eligible that can be made under FEMA category B.

Investment: \$100,000,000

Restrictions: Funds may only be used for eligible expenses. These funds may not be used for expenses that have been or will be reimbursed by other federal programs, including any from the Federal Emergency Management Agency (“FEMA”).

Lead Agencies: Department of Health and OGP

COVID-19 Emergency Expenses in Prisons

Description: To cover non-budgeted expenses in the prisons of the Department of Correction and Rehabilitation related to the emergency of COVID-19. This includes protection and disinfection equipment, masks, gloves, tests, as well as other expenses related to isolation of personnel or inmates, among others.

Investment: \$10,000,000

Restrictions: Funds may only be used for eligible expenses. These funds may not be used for expenses that have been or will be reimbursed by other federal programs, including any from the Federal Emergency Management Agency (“FEMA”).

Lead Agencies: Department of Correction and Rehabilitation and OGP

Program of Assistance and Care - Homeless Population

Description: To cover non-budgeted expenses for assistance and care programs for the homeless population on the occasion of the COVID-19 emergency. This includes protective and disinfecting equipment, soaps, masks, gloves, as well as expenses related to testing and isolation housing.

Investment: \$5,000,000

Restrictions: Funds may only be used for eligible expenses. These funds may not be used for expenses that have been or will be reimbursed by other federal programs, including any from the Federal Emergency Management Agency (“FEMA”).

Lead Agencies: Department of Housing and Department of the Family

Allocation to the Trust Fund of the Unemployment Fund of the Department of Labor and Human Resources

Description: To support and provide liquidity to the Unemployment Insurance Fund Trust of the Department of Labor and Human Resources to cover disbursements to people who have applied for state unemployment benefits due to the emergency of COVID-19. This initial allocation seeks to provide assistance to this fund, which is under pressure due to the volume of requests submitted by employees affected by COVID-19. This money is separate from other federal unemployment benefits financed by other provisions of the CARES Act.

Investment: \$150,000,000

Restrictions: The funds can only be used to finance the state portion of unemployment benefits related to COVID-19. These funds will not be used to increase the current level of benefits. These funds may not be used for expenses that have been or will be reimbursed by other federal programs, including through other provisions of the CARES Act.

Lead Agency: Department of Labor and Human Resources

Remote Work and Distance Education Program of the Government of Puerto Rico

Description: To implement the remote work and distance education program of the employees of the Government of Puerto Rico. This program will establish processes through which public employees can fulfill their workday and execute their tasks outside the regular office space as required to comply with COVID-19 health precautions. This program shall also allow employees of the Government of Puerto Rico to acquire new skills through distance education. This also includes minor renovations or construction works in public buildings to promote social

distancing. For this program, the funds can be used to purchase laptops, tablets, servers, hotspots and other equipment, as well as software and licenses that allow government operations to continue during the COVID-19 emergency. The Government will also evaluate providing a stipend to government employees who use their personal technological equipment as part of the remote work program.

Investment: \$40,000,000

Restrictions: Funds may only be used for eligible expenses. These funds may not be used for expenses that have been or will be reimbursed by other federal programs, including any from the Federal Emergency Management Agency (“FEMA”).

Lead Agencies: PRITS, OATRH and OGP

Telemedicine Program in Puerto Rico

Description: To implement the telemedicine program in Puerto Rico to ensure that citizens have access to health services during the COVID-19 emergency to limit the exposure to the coronavirus. The implementation of this program will be in accordance with applicable federal regulations and will have a large component of investment in technological infrastructure.

Investment: \$40,000,000

Restrictions: Funds may only be used for eligible expenses. These funds may not be used for expenses that have been or will be reimbursed by other federal programs, including but not limited to any from the Federal Emergency Management Agency (“FEMA”).

Lead Agencies: Department of Health, PRITS and OGP

Assistance Program to Private Hospitals

Description: To provide emergency assistance (grants or short term loans) to private hospitals for necessary expenditures related to the COVID-19 emergency. The allocation to each institution will be based on a necessity standard.

Investment: \$150,000,000

Restrictions: These funds will only be available to cover necessary expenditures related to the COVID-19 emergency that have not been covered or reimbursed, or that will not be covered in the future, by other state, federal or private insurance programs that the institutions may have, including funds received through the CARES Act’s Public Health and Social Services Emergency Fund. Entities that receive these funds will not be able to use them to pay executive bonuses, debt refinancing or other expenses that are determined to be ineligible. Likewise, the beneficiary entities must sign an agreement as part of the program in which they agree to return

the money if it is determined in the future that they did not comply with any of the eligibility requirements. Beneficiaries must spend the money on or before December 30, 2020. This will be a first come, first served basis program.

Lead Agencies: Department of Health, ASES, and AAFAF.

Assistance Program to the Tourism Industry

Description: To provide emergency assistance to businesses related to the tourism industry, specifically hotels and “paradores”, for necessary expenditures related to the COVID-19 emergency. This aid is subject to terms and conditions to ensure that its use is limited to businesses that have been impacted by the COVID-19 emergency. The allocation to each institution will be based on a necessity standard.

Investment: \$50,000,000

Restrictions: These funds will be available only to cover necessary expenditures related to the COVID-19 emergency that have not been covered, or will not be covered in the future, by other state, federal or private insurance programs that the institutions may have, including other COVID-19 related business grant or loan programs under the CARES Act. Entities that receive these funds will not be able to use them to pay executive bonuses, debt refinancing or other expenses that are determined to be ineligible. Likewise, the beneficiary entities must sign an agreement as part of the program in which they agree to return the money if it is determined in the future that they did not comply with any of the eligibility requirements. Beneficiaries must spend the money on or before December 30, 2020. This will be a first come, first served basis program.

Lead Agencies: Department of Economic Development and Commerce ("DDEC"), Tourism Company of Puerto Rico ("CTPR"), Puerto Rico Department of the Treasury, OGP, and AAFAF

Private Sector Payroll Protection Program

Description: To fund a private sector payroll protection program, which will reimburse private employers, subject to certain terms and conditions, up to 50% of the payroll that they continued to pay to their employees during the COVID-19 emergency, despite the fact that their operations have been interrupted by the COVID-19 emergency.

Investment: \$350,000,000

Restrictions: To be eligible, businesses must not have participated, or participate in the future in the program *Paycheck Protection Program* ("PPP") of the SBA. This program will only be available to companies with 500 employees or less and an annual gross income of \$ 10,000,000 or less. This will be a first come, first served basis program.

Lead Agencies: Puerto Rico Department of the Treasury, DDEC and DTRH

Assistance Program to Self-Employed Individuals

Description: To provide a second round of emergency assistance to eligible self-employed individuals whose work has been interrupted as a result of the COVID-19 emergency. This assistance would be up to \$ 1,000 per individual.

Investment: \$200,000,000

Restrictions: Beneficiaries must be registered on the SURI platform of the Department of the Treasury and must certify that the services they provide have been affected and that they have suffered economic losses of at least \$1,000 due to the COVID-19 emergency. Beneficiaries must spend the money on or before December 30, 2020. This will be a first come, first served basis program.

Lead Agency: Puerto Rico Department of the Treasury

Assistance Program to Medium Businesses

Description: To provide emergency assistance of up to \$10,000 to each medium-sized company with between 50 and 500 employees, duly registered in the Merchants Registry of the Department of the Treasury, for the losses caused by the interruption of operations caused by the COVID-19 emergency and/or for necessary expenditures related to the COVID-19. This will be a first come, first served basis program. This includes non-profit organizations that provide direct assistance or services to people.

Investment: \$100,000,000

Restrictions: This aid would be subject to terms and conditions to ensure that its use is limited to matters related to or the product of the COVID-19 emergency. In addition, the entities that receive them may not use the funds to pay executive bonuses, or to refinance debt, or for other expenses determined to be ineligible. This program will not apply to entities that participate in other programs described in this plan, including the private sector payroll protection plan. Beneficiaries must spend the money on or before December 30, 2020.

Lead Agencies: Puerto Rico Department of Treasury, DDEC, and DTRH

Assistance Program to Small Businesses

Description: To provide emergency assistance of up to \$5,000 to each small business or micro-enterprise with between 2 and 49 employees, duly registered in the Merchants Registry of the

Department of the Treasury, for the losses caused by the interruption of operations caused by the COVID-19 emergency and/or for necessary expenditures related to the COVID-19. This will be a first come, first served basis program. This includes non-profit organizations that provide direct assistance or services to the citizenry.

Investment: \$250,000,000

Restrictions: This aid would be subject to terms and conditions to ensure that its use is limited to matters related to the COVID-19 emergency. In addition, the entities that receive them may not use the funds to pay executive bonuses, or to refinance debt, or for other expenses determined to be ineligible. This program will not apply to entities that participate in other programs described in this plan, including the private sector payroll protection plan. Beneficiaries must spend the money on or before December 30, 2020.

Lead Agencies: Puerto Rico Department of the Treasury, DDEC and DTRH

Training Program and Workshops for SMEs on issues related to COVID-19





Description: Training programs and workshops for SMEs, self-employed and entrepreneurs on doing business during the COVID-19 emergency in compliance with public health requirements and orders. The Government may enter into partnerships with non-governmental entities to offer this workshops and trainings.

Investment: \$10,000,000














Restrictions: This will be a first come, first served basis program.

Lead Agency: DDEC, Department of Health, University of Puerto Rico and WIPR

Distribution breakdown

	PROGRAM	INVESTMENT
1	 Reserve & reimbursement to the General Fund and the Emergency Reserve for eligible expenses ¹	\$485,625,863.80
2	 Private Sector Payroll Protection Program	\$350,000,000
3	 Assistance Program to Small Businesses	\$250,000,000
4	 COVID-19 Testing and Contact Tracing Program	\$150,000,000

¹ Subject to validation pursuant to CARES and the U.S. Treasury guidelines.

5		Allocation to the Unemployment Fund Trust	\$150,000,000
6		Assistance Program to Self-Employed Individuals	\$200,000,000
7		Allocation to the 78 Municipalities for eligible expenses	\$100,000,000
8		Acquisition of Materials and Personal Protective Equipment	\$100,000,000
9		Assistance Program to Private Hospitals	\$150,000,000
10		Assistance Program to Medium Businesses	\$100,000,000
11		Emergency Assistance - Public Hospitals	\$50,000,000
12		Assistance Program to the Tourism Industry	\$50,000,000
13		Remote Work and Distance Education Program of the Government of Puerto Rico	\$40,000,000
14		Telemedicine Program in Puerto Rico	\$40,000,000
15		COVID—19 Emergency Expenses - Prisons	\$10,000,000
16		Workshops and Training Program for SMEs	\$10,000,000
17		Program of Assistance and Care - Homeless Population	\$5,000,000
			\$ 2,240,625,863.80

IMPLEMENTATION

Pursuant to the CARES Act, funds from the CRF have to be incurred (disbursed) by the Government of Puerto Rico on or before December 30, 2020. This means that the government has only 8 months to disburse more than 2 billion dollars. For this reason, it is extremely important to establish an ambitious implementation plan, which takes into consideration this limitation in time, while establishing the necessary controls to comply with federal law and regulations. As part of this implementation plan, the Government will periodically reevaluate

the proposed distributions established in this plan and will make the necessary readjustments and reprogramming.

Committee for the Oversight of Disbursements Charged to the CRF

To monitor the expeditious processing of CRF disbursements while ensuring adherence with the strictest standards, as detailed in this plan, the Disbursement Oversight Committee ("Committee") is hereby created. Said Committee shall be composed of the Executive Director of AAFAF, who shall be its chairman, the Secretary of the Puerto Rico Department of the Treasury, and the Director of the Office of Management and Budget ("OGP"). The Committee shall work in coordination with the agencies listed in this plan as leaders for each measure and/or program ("Lead Agencies").

Responsibilities: This Committee, through AAFAF or any other agency or instrumentality, will dedicate full time personnel and resources to the performance of their tasks, which will consist, among others, of the following:

1. Approve the final allocations and disbursements of funds under this Plan;
2. Approve bylaws, internal regulations, administrative orders, and any other mechanism to carry out its duties under this Plan;
3. Approve and adopt an official seal;
4. Appoint an executive director and any other officials necessary to carry out its duties under this Plan;
5. Coordinate with the Lead Agencies the establishment of specific eligibility criteria for the use of CRF funds, in accordance with the CARES Act and the regulations and guidelines issued by the U.S. Treasury Department;
6. Issue guidance to public and private entities, including individuals, on the content of this plan;
7. Seek guidance of the U.S. Treasury Department when it is necessary to clarify any matter regarding the eligibility or ineligibility of any proposed measure or expense;
8. In coordination with the Lead Agencies, develop the terms and conditions, as well as contracts, guides and documents that all applicants and beneficiaries of the CRF must sign and/or accept;
9. Establish strict controls to ensure that all expenses and disbursements comply with the requirements and conditions established in the CARES act and in regulations and guidelines issued by the U.S. Treasury Department;
10. Establish procedures to ensure adequate documentation of all disbursements;
11. Monitor all disbursements;
12. Recommend to the Governor the redistribution of funds between programs and initiatives to maximize the use of the CRF;
13. Establish collaboration agreements with state and federal entities to carry out their functions;

14. Refer to the Office of the Inspector General of the U.S. Treasury Department, and to other state and federal law and order entities, any irregular use of CRF funds that is detected.



Disbursement Reports

As part of the Government's commitment to transparency and fiscal responsibility, periodic reports will be published, with a frequency not less than every two weeks, of the use and disbursement of the CRF funds. This report should include as much detail and information possible, including but not limited to, the number of individuals, businesses and institutions benefited. Said report will be published on AAFAF's website.

Disbursements Audit

In anticipation of future audits, monitoring and inspections by the Office of the Inspector General of the U.S. Treasury Department, as authorized by the CARES Act, an audit process will be established for disbursements under the CRF, for both public and private entities. For said reason, every beneficiary of CRF funds must agree to cooperate with report and audit requirements required by the Government of Puerto Rico in order to ensure that said funds were used in accordance with applicable laws and regulations. Frequency of reports would be determined by the disbursement program. If any irregularity or fraud is detected, an appropriate referral will be made to the appropriate federal or state government agency, and will be subject to recoupment of funds and/or other penalties.

APPENDIX

APPENDIX A - TITLE VI CARES ACT- CORONAVIRUS RELIEF FUND

1 *and contractors under this subtitle, including a description*
2 *of any financial assistance provided.*

3 (b) *UPDATE.*—*Not later than the last day of the 1-year*
4 *period following the date of enactment of this Act, the Sec-*
5 *retary shall update and submit to the Committee on Trans-*
6 *portation and the Committee on Financial Services and In-*
7 *frastructure of the House of Representatives and the Com-*
8 *mittee on Commerce, Science, and Transportation and the*
9 *Committee on Banking, Housing, and Urban Affairs of the*
10 *Senate the report described in subsection (a).*

11 **SEC. 4119. COORDINATION.**

12 *In implementing this subtitle the Secretary shall co-*
13 *ordinate with the Secretary of Transportation.*

14 **SEC. 4120. DIRECT APPROPRIATION.**

15 *Notwithstanding any other provision of law, there is*
16 *appropriated, out of amounts in the Treasury not otherwise*
17 *appropriated, \$32,000,000,000 to carry out this subtitle.*

18 **TITLE V—CORONAVIRUS RELIEF**
19 **FUNDS**

20 **SEC. 5001. CORONAVIRUS RELIEF FUND.**

21 (a) *IN GENERAL.*—*The Social Security Act (42 U.S.C.*
22 *301 et seq.) is amended by inserting after title V the fol-*
23 *lowing:*

1 **“TITLE VI—CORONAVIRUS**
2 **RELIEF FUND**

3 **“SEC. 601. CORONAVIRUS RELIEF FUND.**

4 “(a) *APPROPRIATION.—*

5 “(1) *IN GENERAL.—Out of any money in the*
6 *Treasury of the United States not otherwise appro-*
7 *priated, there are appropriated for making payments*
8 *to States, Tribal governments, and units of local gov-*
9 *ernment under this section, \$150,000,000,000 for fis-*
10 *cal year 2020.*

11 “(2) *RESERVATION OF FUNDS.—Of the amount*
12 *appropriated under paragraph (1), the Secretary*
13 *shall reserve—*

14 “(A) *\$3,000,000,000 of such amount for*
15 *making payments to the District of Columbia,*
16 *the Commonwealth of Puerto Rico, the United*
17 *States Virgin Islands, Guam, the Commonwealth*
18 *of the Northern Mariana Islands, and American*
19 *Samoa; and*

20 “(B) *\$8,000,000,000 of such amount for*
21 *making payments to Tribal governments.*

22 “(b) *AUTHORITY TO MAKE PAYMENTS.—*

23 “(1) *IN GENERAL.—Subject to paragraph (2),*
24 *not later than 30 days after the date of enactment of*
25 *this section, the Secretary shall pay each State and*

1 *Tribal government, and each unit of local government*
2 *that meets the condition described in paragraph (2),*
3 *the amount determined for the State, Tribal govern-*
4 *ment, or unit of local government, for fiscal year 2020*
5 *under subsection (c).*

6 “(2) *DIRECT PAYMENTS TO UNITS OF LOCAL*
7 *GOVERNMENT.—If a unit of local government of a*
8 *State submits the certification required by subsection*
9 *(e) for purposes of receiving a direct payment from*
10 *the Secretary under the authority of this paragraph,*
11 *the Secretary shall reduce the amount determined for*
12 *that State by the relative unit of local government*
13 *population proportion amount described in subsection*
14 *(c)(5) and pay such amount directly to such unit of*
15 *local government.*

16 “(c) *PAYMENT AMOUNTS.—*

17 “(1) *IN GENERAL.—Subject to paragraph (2), the*
18 *amount paid under this section for fiscal year 2020*
19 *to a State that is 1 of the 50 States shall be the*
20 *amount equal to the relative population proportion*
21 *amount determined for the State under paragraph (3)*
22 *for such fiscal year.*

23 “(2) *MINIMUM PAYMENT.—*

24 “(A) *IN GENERAL.—No State that is 1 of*
25 *the 50 States shall receive a payment under this*

1 *section for fiscal year 2020 that is less than*
2 *\$1,250,000,000.*

3 “(B) *PRO RATA ADJUSTMENTS.*—*The Sec-*
4 *retary shall adjust on a pro rata basis the*
5 *amount of the payments for each of the 50 States*
6 *determined under this subsection without regard*
7 *to this subparagraph to the extent necessary to*
8 *comply with the requirements of subparagraph*
9 *(A).*

10 “(3) *RELATIVE POPULATION PROPORTION*
11 *AMOUNT.*—*For purposes of paragraph (1), the relative*
12 *population proportion amount determined under this*
13 *paragraph for a State for fiscal year 2020 is the*
14 *product of—*

15 “(A) *the amount appropriated under para-*
16 *graph (1) of subsection (a) for fiscal year 2020*
17 *that remains after the application of paragraph*
18 *(2) of that subsection; and*

19 “(B) *the relative State population propor-*
20 *tion (as defined in paragraph (4)).*

21 “(4) *RELATIVE STATE POPULATION PROPORTION*
22 *DEFINED.*—*For purposes of paragraph (3)(B), the*
23 *term ‘relative State population proportion’ means,*
24 *with respect to a State, the quotient of—*

25 “(A) *the population of the State; and*

1 “(B) the total population of all States (ex-
2 cluding the District of Columbia and territories
3 specified in subsection (a)(2)(A)).

4 “(5) *RELATIVE UNIT OF LOCAL GOVERNMENT*
5 *POPULATION PROPORTION AMOUNT.*—For purposes of
6 subsection (b)(2), the term ‘relative unit of local gov-
7 ernment population proportion amount’ means, with
8 respect to a unit of local government and a State, the
9 amount equal to the product of—

10 “(A) 45 percent of the amount of the pay-
11 ment determined for the State under this sub-
12 section (without regard to this paragraph); and

13 “(B) the amount equal to the quotient of—

14 “(i) the population of the unit of local
15 government; and

16 “(ii) the total population of the State
17 in which the unit of local government is lo-
18 cated.

19 “(6) *DISTRICT OF COLUMBIA AND TERRI-*
20 *TORIES.*—The amount paid under this section for fis-
21 cal year 2020 to a State that is the District of Colum-
22 bia or a territory specified in subsection (a)(2)(A)
23 shall be the amount equal to the product of—

24 “(A) the amount set aside under subsection
25 (a)(2)(A) for such fiscal year; and

1 “(B) *each such District’s and territory’s*
2 *share of the combined total population of the*
3 *District of Columbia and all such territories, as*
4 *determined by the Secretary.*

5 “(7) *TRIBAL GOVERNMENTS.—From the amount*
6 *set aside under subsection (a)(2)(B) for fiscal year*
7 *2020, the amount paid under this section for fiscal*
8 *year 2020 to a Tribal government shall be the amount*
9 *the Secretary shall determine, in consultation with*
10 *the Secretary of the Interior and Indian Tribes, that*
11 *is based on increased expenditures of each such Tribal*
12 *government (or a tribally-owned entity of such Tribal*
13 *government) relative to aggregate expenditures in fis-*
14 *cal year 2019 by the Tribal government (or tribally-*
15 *owned entity) and determined in such manner as the*
16 *Secretary determines appropriate to ensure that all*
17 *amounts available under subsection (a)(2)(B) for fis-*
18 *cal year 2020 are distributed to Tribal governments.*

19 “(8) *DATA.—For purposes of this subsection, the*
20 *population of States and units of local governments*
21 *shall be determined based on the most recent year for*
22 *which data are available from the Bureau of the Cen-*
23 *sus.*

24 “(d) *USE OF FUNDS.—A State, Tribal government,*
25 *and unit of local government shall use the funds provided*

1 *under a payment made under this section to cover only*
2 *those costs of the State, Tribal government, or unit of local*
3 *government that—*

4 “(1) *are necessary expenditures incurred due to*
5 *the public health emergency with respect to the*
6 *Coronavirus Disease 2019 (COVID–19);*

7 “(2) *were not accounted for in the budget most*
8 *recently approved as of the date of enactment of this*
9 *section for the State or government; and*

10 “(3) *were incurred during the period that begins*
11 *on March 1, 2020, and ends on December 30, 2020.*

12 “(e) *CERTIFICATION.—In order to receive a payment*
13 *under this section, a unit of local government shall provide*
14 *the Secretary with a certification signed by the Chief Exec-*
15 *utive for the unit of local government that the local govern-*
16 *ment’s proposed uses of the funds are consistent with sub-*
17 *section (d).*

18 “(f) *INSPECTOR GENERAL OVERSIGHT;*
19 *RECOUPMENT.—*

20 “(1) *OVERSIGHT AUTHORITY.—The Inspector*
21 *General of the Department of the Treasury shall con-*
22 *duct monitoring and oversight of the receipt, disburse-*
23 *ment, and use of funds made available under this sec-*
24 *tion.*

1 “(2) *RECOUPMENT.*—*If the Inspector General of*
2 *the Department of the Treasury determines that a*
3 *State, Tribal government, or unit of local government*
4 *has failed to comply with subsection (d), the amount*
5 *equal to the amount of funds used in violation of such*
6 *subsection shall be booked as a debt of such entity*
7 *owed to the Federal Government. Amounts recovered*
8 *under this subsection shall be deposited into the gen-*
9 *eral fund of the Treasury.*

10 “(3) *APPROPRIATION.*—*Out of any money in the*
11 *Treasury of the United States not otherwise appro-*
12 *propriated, there are appropriated to the Office of the In-*
13 *pector General of the Department of the Treasury,*
14 *\$35,000,000 to carry out oversight and recoupment*
15 *activities under this subsection. Amounts appro-*
16 *propriated under the preceding sentence shall remain*
17 *available until expended.*

18 “(4) *AUTHORITY OF INSPECTOR GENERAL.*—
19 *Nothing in this subsection shall be construed to di-*
20 *minish the authority of any Inspector General, in-*
21 *cluding such authority as provided in the Inspector*
22 *General Act of 1978 (5 U.S.C. App.).*

23 “(g) *DEFINITIONS.*—*In this section:*

24 “(1) *INDIAN TRIBE.*—*The term ‘Indian Tribe’*
25 *has the meaning given that term in section 4(e) of the*

1 *Indian Self-Determination and Education Assistance*
2 *Act (25 U.S.C. 5304(e)).*

3 “(2) *LOCAL GOVERNMENT.*—*The term ‘unit of*
4 *local government’ means a county, municipality,*
5 *town, township, village, parish, borough, or other unit*
6 *of general government below the State level with a*
7 *population that exceeds 500,000.*

8 “(3) *SECRETARY.*—*The term ‘Secretary’ means*
9 *the Secretary of the Treasury.*

10 “(4) *STATE.*—*The term ‘State’ means the 50*
11 *States, the District of Columbia, the Commonwealth*
12 *of Puerto Rico, the United States Virgin Islands,*
13 *Guam, the Commonwealth of the Northern Mariana*
14 *Islands, and American Samoa.*

15 “(5) *TRIBAL GOVERNMENT.*—*The term ‘Tribal*
16 *government’ means the recognized governing body of*
17 *an Indian Tribe.”.*

18 “(b) *APPLICATION OF PROVISIONS.*—*Amounts appro-*
19 *priated for fiscal year 2020 under section 601(a)(1) of the*
20 *Social Security Act (as added by subsection (a)) shall be*
21 *subject to the requirements contained in Public Law 116–*
22 *94 for funds for programs authorized under sections 330*
23 *through 340 of the Public Health Service Act (42 U.S.C.*
24 *254 through 256).*

**APPENDIX B - GUIDE TO THE U.S. TREASURY DEPARTMENT ON THE CORONAVIRUS RELIEF
FUND**

Coronavirus Relief Fund
Guidance for State, Territorial, Local, and Tribal Governments
April 22, 2020

The purpose of this document is to provide guidance to recipients of the funding available under section 601(a) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The CARES Act established the Coronavirus Relief Fund (the “Fund”) and appropriated \$150 billion to the Fund. Under the CARES Act, the Fund is to be used to make payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories (consisting of the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands); and Tribal governments.

The CARES Act provides that payments from the Fund may only be used to cover costs that—

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.¹

The guidance that follows sets forth the Department of the Treasury’s interpretation of these limitations on the permissible use of Fund payments.

Necessary expenditures incurred due to the public health emergency

The requirement that expenditures be incurred “due to” the public health emergency means that expenditures must be used for actions taken to respond to the public health emergency. These may include expenditures incurred to allow the State, territorial, local, or Tribal government to respond directly to the emergency, such as by addressing medical or public health needs, as well as expenditures incurred to respond to second-order effects of the emergency, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures.

Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute. Although a broad range of uses is allowed, revenue replacement is not a permissible use of Fund payments.

The statute also specifies that expenditures using Fund payments must be “necessary.” The Department of the Treasury understands this term broadly to mean that the expenditure is reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for spending Fund payments.

Costs not accounted for in the budget most recently approved as of March 27, 2020

The CARES Act also requires that payments be used only to cover costs that were not accounted for in the budget most recently approved as of March 27, 2020. A cost meets this requirement if either (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget *or* (b) the cost

¹ See Section 601(d) of the Social Security Act, as added by section 5001 of the CARES Act.

is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation.

The “most recently approved” budget refers to the enacted budget for the relevant fiscal period for the particular government, without taking into account subsequent supplemental appropriations enacted or other budgetary adjustments made by that government in response to the COVID-19 public health emergency. A cost is not considered to have been accounted for in a budget merely because it could be met using a budgetary stabilization fund, rainy day fund, or similar reserve account.

Costs incurred during the period that begins on March 1, 2020, and ends on December 30, 2020

A cost is “incurred” when the responsible unit of government has expended funds to cover the cost.

Nonexclusive examples of eligible expenditures

Eligible expenditures include, but are not limited to, payment for:

1. Medical expenses such as:
 - COVID-19-related expenses of public hospitals, clinics, and similar facilities.
 - Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs.
 - Costs of providing COVID-19 testing, including serological testing.
 - Emergency medical response expenses, including emergency medical transportation, related to COVID-19.
 - Expenses for establishing and operating public telemedicine capabilities for COVID-19-related treatment.
2. Public health expenses such as:
 - Expenses for communication and enforcement by State, territorial, local, and Tribal governments of public health orders related to COVID-19.
 - Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment, for medical personnel, police officers, social workers, child protection services, and child welfare officers, direct service providers for older adults and individuals with disabilities in community settings, and other public health or safety workers in connection with the COVID-19 public health emergency.
 - Expenses for disinfection of public areas and other facilities, *e.g.*, nursing homes, in response to the COVID-19 public health emergency.
 - Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety.
 - Expenses for public safety measures undertaken in response to COVID-19.
 - Expenses for quarantining individuals.
3. Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

4. Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:
 - Expenses for food delivery to residents, including, for example, senior citizens and other vulnerable populations, to enable compliance with COVID-19 public health precautions.
 - Expenses to facilitate distance learning, including technological improvements, in connection with school closings to enable compliance with COVID-19 precautions.
 - Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions.
 - Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions.
 - COVID-19-related expenses of maintaining state prisons and county jails, including as relates to sanitation and improvement of social distancing measures, to enable compliance with COVID-19 public health precautions.
 - Expenses for care for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions.
5. Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency, such as:
 - Expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures.
 - Expenditures related to a State, territorial, local, or Tribal government payroll support program.
 - Unemployment insurance costs related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.
6. Any other COVID-19-related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria.

Nonexclusive examples of ineligible expenditures²

The following is a list of examples of costs that would *not* be eligible expenditures of payments from the Fund.

1. Expenses for the State share of Medicaid.³
2. Damages covered by insurance.
3. Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

² In addition, pursuant to section 5001(b) of the CARES Act, payments from the Fund may not be expended for an elective abortion or on research in which a human embryo is destroyed, discarded, or knowingly subjected to risk of injury or death. The prohibition on payment for abortions does not apply to an abortion if the pregnancy is the result of an act of rape or incest; or in the case where a woman suffers from a physical disorder, physical injury, or physical illness, including a life-endangering physical condition caused by or arising from the pregnancy itself, that would, as certified by a physician, place the woman in danger of death unless an abortion is performed. Furthermore, no government which receives payments from the Fund may discriminate against a health care entity on the basis that the entity does not provide, pay for, provide coverage of, or refer for abortions.

³ See 42 C.F.R. § 433.51 and 45 C.F.R. § 75.306.

4. Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds.
5. Reimbursement to donors for donated items or services.
6. Workforce bonuses other than hazard pay or overtime.
7. Severance pay.
8. Legal settlements.

**APPENDIX C – U.S. TREASURY DEPARTMENT CRF FREQUENTLY ASKED
QUESTIONS – APRIL 22, 2020**

**Coronavirus Relief Fund
Frequently Asked Questions
April 22, 2020**

Do governments have to return unspent funds to Treasury?

Yes. Section 601(f)(2) of the Social Security Act, as added by section 5001(a) of the CARES Act, provides for recoupment by the Inspector General of the Department of the Treasury of amounts received from the Coronavirus Relief Fund (the “Fund”) that have not been used in a manner consistent with section 601(d) of the Social Security Act. If a government has not used funds it has received to cover costs that were incurred by December 30, 2020, as required by the statute, those funds must be returned to the Department of the Treasury.

May a State receiving a payment transfer funds to a local government?

Yes, provided that the transfer qualifies as a necessary expenditure incurred due to the public health emergency and meets the other criteria of section 601(d) of the Social Security Act. Such funds would be subject to recoupment by the Treasury Inspector General if they have not been used in a manner consistent with section 601(d) of the Social Security Act.

May governments retain assets purchased with these funds?

Yes, if the purchase of the asset was consistent with the limitations on the eligible use of funds provided by section 601(d) of the Social Security Act.

What records must be kept by governments receiving payment?

A government should keep records sufficient to demonstrate that the amount of Fund payments to the government has been used in accordance with section 601(d) of the Social Security Act.

**APPENDIX D - U.S. TREASURY DEPARTMENT CRF FREQUENTLY ASKED
QUESTIONS – MAY 4, 2020**

**Coronavirus Relief Fund
Frequently Asked Questions
Updated as of May 4, 2020**

The following answers to frequently asked questions supplement Treasury’s Coronavirus Relief Fund (“Fund”) Guidance for State, Territorial, Local, and Tribal Governments, dated April 22, 2020, (“Guidance”).¹ Amounts paid from the Fund are subject to the restrictions outlined in the Guidance and set forth in section 601(d) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”).

Eligible Expenditures

Are governments required to submit proposed expenditures to Treasury for approval?

No. Governments are responsible for making determinations as to what expenditures are necessary due to the public health emergency with respect to COVID-19 and do not need to submit any proposed expenditures to Treasury.

The Guidance says that funding can be used to meet payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency. How does a government determine whether payroll expenses for a given employee satisfy the “substantially dedicated” condition?

The Fund is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency. For this reason, and as a matter of administrative convenience in light of the emergency nature of this program, a State, territorial, local, or Tribal government may presume that payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise.

The Guidance says that a cost was not accounted for in the most recently approved budget if the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation. What would qualify as a “substantially different use” for purposes of the Fund eligibility?

Costs incurred for a “substantially different use” include, but are not necessarily limited to, costs of personnel and services that were budgeted for in the most recently approved budget but which, due entirely to the COVID-19 public health emergency, have been diverted to substantially different functions. This would include, for example, the costs of redeploying corrections facility staff to enable compliance with COVID-19 public health precautions through work such as enhanced sanitation or enforcing social distancing measures; the costs of redeploying police to support management and enforcement of stay-at-home orders; or the costs of diverting educational support staff or faculty to develop online learning capabilities, such as through providing information technology support that is not part of the staff or faculty’s ordinary responsibilities.

Note that a public function does not become a “substantially different use” merely because it is provided from a different location or through a different manner. For example, although developing online

¹ The Guidance is available at <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>.

instruction capabilities may be a substantially different use of funds, online instruction itself is not a substantially different use of public funds than classroom instruction.

May a State receiving a payment transfer funds to a local government?

Yes, provided that the transfer qualifies as a necessary expenditure incurred due to the public health emergency and meets the other criteria of section 601(d) of the Social Security Act. Such funds would be subject to recoupment by the Treasury Department if they have not been used in a manner consistent with section 601(d) of the Social Security Act.

May a unit of local government receiving a Fund payment transfer funds to another unit of government?

Yes. For example, a county may transfer funds to a city, town, or school district within the county and a county or city may transfer funds to its State, provided that the transfer qualifies as a necessary expenditure incurred due to the public health emergency and meets the other criteria of section 601(d) of the Social Security Act outlined in the Guidance. For example, a transfer from a county to a constituent city would not be permissible if the funds were intended to be used simply to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify as an eligible expenditure.

Is a Fund payment recipient required to transfer funds to a smaller, constituent unit of government within its borders?

No. For example, a county recipient is not required to transfer funds to smaller cities within the county's borders.

Are recipients required to use other federal funds or seek reimbursement under other federal programs before using Fund payments to satisfy eligible expenses?

No. Recipients may use Fund payments for any expenses eligible under section 601(d) of the Social Security Act outlined in the Guidance. Fund payments are not required to be used as the source of funding of last resort. However, as noted below, recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement.

Are there prohibitions on combining a transaction supported with Fund payments with other CARES Act funding or COVID-19 relief Federal funding?

Recipients will need to consider the applicable restrictions and limitations of such other sources of funding. In addition, expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds, are not eligible uses of Fund payments.

Are States permitted to use Fund payments to support state unemployment insurance funds generally?

To the extent that the costs incurred by a state unemployment insurance fund are incurred due to the COVID-19 public health emergency, a State may use Fund payments to make payments to its respective state unemployment insurance fund, separate and apart from such State's obligation to the unemployment insurance fund as an employer. This will permit States to use Fund payments to prevent expenses related to the public health emergency from causing their state unemployment insurance funds to become insolvent.

Are recipients permitted to use Fund payments to pay for unemployment insurance costs incurred by the recipient as an employer?

Yes, Fund payments may be used for unemployment insurance costs incurred by the recipient as an employer (for example, as a reimbursing employer) related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.

The Guidance states that the Fund may support a “broad range of uses” including payroll expenses for several classes of employees whose services are “substantially dedicated to mitigating or responding to the COVID-19 public health emergency.” What are some examples of types of covered employees?

The Guidance provides examples of broad classes of employees whose payroll expenses would be eligible expenses under the Fund. These classes of employees include public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency. Payroll and benefit costs associated with public employees who could have been furloughed or otherwise laid off but who were instead repurposed to perform previously unbudgeted functions substantially dedicated to mitigating or responding to the COVID-19 public health emergency are also covered. Other eligible expenditures include payroll and benefit costs of educational support staff or faculty responsible for developing online learning capabilities necessary to continue educational instruction in response to COVID-19-related school closures. Please see the Guidance for a discussion of what is meant by an expense that was not accounted for in the budget most recently approved as of March 27, 2020.

In some cases, first responders and critical health care workers that contract COVID-19 are eligible for workers’ compensation coverage. Is the cost of this expanded workers compensation coverage eligible?

Increased workers compensation cost to the government due to the COVID-19 public health emergency incurred during the period beginning March 1, 2020, and ending December 30, 2020, is an eligible expense.

If a recipient would have decommissioned equipment or not renewed a lease on particular office space or equipment but decides to continue to use the equipment or to renew the lease in order to respond to the public health emergency, are the costs associated with continuing to operate the equipment or the ongoing lease payments eligible expenses?

Yes. To the extent the expenses were previously unbudgeted and are otherwise consistent with section 601(d) of the Social Security Act outlined in the Guidance, such expenses would be eligible.

May recipients provide stipends to employees for eligible expenses (for example, a stipend to employees to improve telework capabilities) rather than require employees to incur the eligible cost and submit for reimbursement?

Expenditures paid for with payments from the Fund must be limited to those that are necessary due to the public health emergency. As such, unless the government were to determine that providing assistance in the form of a stipend is an administrative necessity, the government should provide such assistance on a reimbursement basis to ensure as much as possible that funds are used to cover only eligible expenses.

May Fund payments be used for COVID-19 public health emergency recovery planning?

Yes. Expenses associated with conducting a recovery planning project or operating a recovery coordination office would be eligible, if the expenses otherwise meet the criteria set forth in section 601(d) of the Social Security Act outlined in the Guidance.

Are expenses associated with contract tracing eligible?

Yes, expenses associated with contract tracing are eligible.

To what extent may a government use Fund payments to support the operations of private hospitals?

Governments may use Fund payments to support public or private hospitals to the extent that the costs are necessary expenditures incurred due to the COVID-19 public health emergency, but the form such assistance would take may differ. In particular, financial assistance to private hospitals could take the form of a grant or a short-term loan.

May payments from the Fund be used to assist individuals with enrolling in a government benefit program for those who have been laid off due to COVID-19 and thereby lost health insurance?

Yes. To the extent that the relevant government official determines that these expenses are necessary and they meet the other requirements set forth in section 601(d) of the Social Security Act outlined in the Guidance, these expenses are eligible.

May recipients use Fund payments to facilitate livestock depopulation incurred by producers due to supply chain disruptions?

Yes, to the extent these efforts are deemed necessary for public health reasons or as a form of economic support as a result of the COVID-19 health emergency.

Would providing a consumer grant program to prevent eviction and assist in preventing homelessness be considered an eligible expense?

Yes, assuming that the recipient considers the grants to be a necessary expense incurred due to the COVID-19 public health emergency and the grants meet the other requirements for the use of Fund payments under section 601(d) of the Social Security Act outlined in the Guidance. As a general matter, providing assistance to recipients to enable them to meet property tax requirements would not be an eligible use of funds, but exceptions may be made in the case of assistance designed to prevent foreclosures.

May recipients create a “payroll support program” for public employees?

Use of payments from the Fund to cover payroll or benefits expenses of public employees are limited to those employees whose work duties are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

May recipients use Fund payments to cover employment and training programs for employees that have been furloughed due to the public health emergency?

Yes, this would be an eligible expense if the government determined that the costs of such employment and training programs would be necessary due to the public health emergency.

May recipients use Fund payments to provide emergency financial assistance to individuals and families directly impacted by a loss of income due to the COVID-19 public health emergency?

Yes, if a government determines such assistance to be a necessary expenditure. Such assistance could include, for example, a program to assist individuals with payment of overdue rent or mortgage payments to avoid eviction or foreclosure or unforeseen financial costs for funerals and other emergency individual needs. Such assistance should be structured in a manner to ensure as much as possible, within the realm of what is administratively feasible, that such assistance is necessary.

The Guidance provides that eligible expenditures may include expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures. What is meant by a “small business,” and is the Guidance intended to refer only to expenditures to cover administrative expenses of such a grant program?

Governments have discretion to determine what payments are necessary. A program that is aimed at assisting small businesses with the costs of business interruption caused by required closures should be tailored to assist those businesses in need of such assistance. The amount of a grant to a small business to reimburse the costs of business interruption caused by required closures would also be an eligible expenditure under section 601(d) of the Social Security Act, as outlined in the Guidance.

The Guidance provides that expenses associated with the provision of economic support in connection with the public health emergency, such as expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures, would constitute eligible expenditures of Fund payments. Would such expenditures be eligible in the absence of a stay-at-home order?

Fund payments may be used for economic support in the absence of a stay-at-home order if such expenditures are determined by the government to be necessary. This may include, for example, a grant program to benefit small businesses that close voluntarily to promote social distancing measures or that are affected by decreased customer demand as a result of the COVID-19 public health emergency.

May Fund payments be used to assist impacted property owners with the payment of their property taxes?

Fund payments may not be used for government revenue replacement, including the provision of assistance to meet tax obligations.

May Fund payments be used to replace foregone utility fees? If not, can Fund payments be used as a direct subsidy payment to all utility account holders?

Fund payments may not be used for government revenue replacement, including the replacement of unpaid utility fees. Fund payments may be used for subsidy payments to electricity account holders to the extent that the subsidy payments are deemed by the recipient to be necessary expenditures incurred due to the COVID-19 public health emergency and meet the other criteria of section 601(d) of the Social Security Act outlined in the Guidance. For example, if determined to be a necessary expenditure, a government could provide grants to individuals facing economic hardship to allow them to pay their utility fees and thereby continue to receive essential services.

Could Fund payments be used for capital improvement projects that broadly provide potential economic development in a community?

In general, no. If capital improvement projects are not necessary expenditures incurred due to the COVID-19 public health emergency, then Fund payments may not be used for such projects.

However, Fund payments may be used for the expenses of, for example, establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity or improve mitigation measures, including related construction costs.

The Guidance includes workforce bonuses as an example of ineligible expenses but provides that hazard pay would be eligible if otherwise determined to be a necessary expense. Is there a specific definition of “hazard pay”?

Hazard pay means additional pay for performing hazardous duty or work involving physical hardship, in each case that is related to COVID-19.

The Guidance provides that ineligible expenditures include “[p]ayroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.” Is this intended to relate only to public employees?

Yes. This particular nonexclusive example of an ineligible expenditure relates to public employees. A recipient would not be permitted to pay for payroll or benefit expenses of private employees and any financial assistance (such as grants or short-term loans) to private employers are not subject to the restriction that the private employers’ employees must be substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

May counties pre-pay with CARES Act funds for expenses such as a one or two-year facility lease, such as to house staff hired in response to COVID-19?

A government should not make prepayments on contracts using payments from the Fund to the extent that doing so would not be consistent with its ordinary course policies and procedures.

Questions Related to Administration of Fund Payments

Do governments have to return unspent funds to Treasury?

Yes. Section 601(f)(2) of the Social Security Act, as added by section 5001(a) of the CARES Act, provides for recoupment by the Department of the Treasury of amounts received from the Fund that have not been used in a manner consistent with section 601(d) of the Social Security Act. If a government has not used funds it has received to cover costs that were incurred by December 30, 2020, as required by the statute, those funds must be returned to the Department of the Treasury.

What records must be kept by governments receiving payment?

A government should keep records sufficient to demonstrate that the amount of Fund payments to the government has been used in accordance with section 601(d) of the Social Security Act

May recipients deposit Fund payments into interest bearing accounts?

Yes, provided that if recipients separately invest amounts received from the Fund, they must use the interest earned or other proceeds of these investments only to cover expenditures incurred in accordance with section 601(d) of the Social Security Act and the Guidance on eligible expenses. If a government deposits Fund payments in a government’s general account, it may use those funds to meet immediate cash management needs provided that the full amount of the payment is used to cover necessary

expenditures. Fund payments are not subject to the Cash Management Improvement Act of 1990, as amended.

May governments retain assets purchased with payments from the Fund?

Yes, if the purchase of the asset was consistent with the limitations on the eligible use of funds provided by section 601(d) of the Social Security Act.

What rules apply to the proceeds of disposition or sale of assets acquired using payments from the Fund?

If such assets are disposed of prior to December 30, 2020, the proceeds would be subject to the restrictions on the eligible use of payments from the Fund provided by section 601(d) of the Social Security Act.