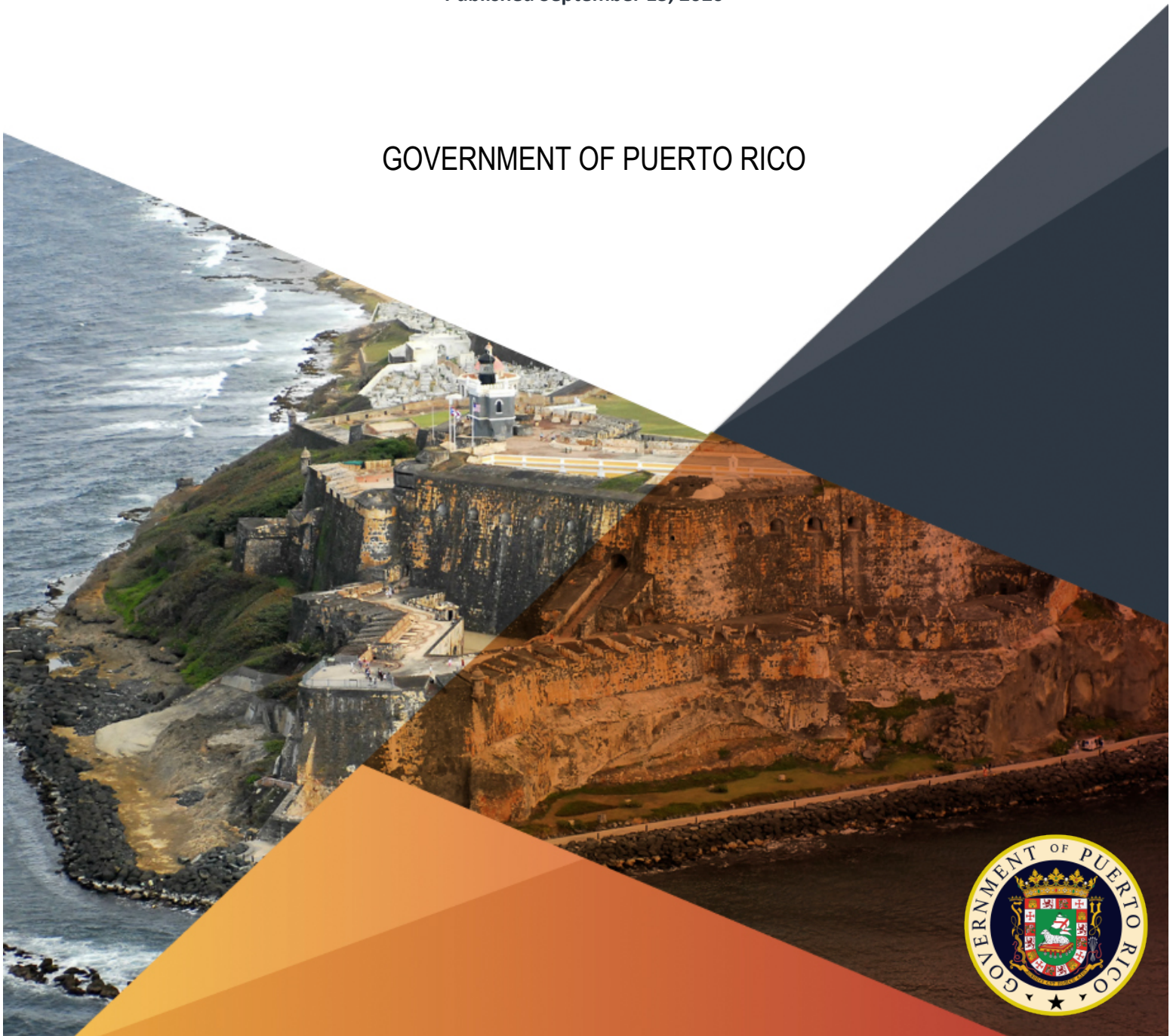


# Private Sector Payroll Protection Program (PPP) *CORONAVIRUS RELIEF FUND*

## Program Guidelines

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GOVERNMENT OF PUERTO RICO



## Table of Contents

<b>PROGRAM GUIDELINES</b> .....	3
Program Overview .....	3
Background .....	3
Program Description .....	3
Points of Contact .....	3
Eligibility Criteria .....	3
Allowable Expenditures.....	4
Ineligible Expenditures .....	5
Process Overview .....	5

## PROGRAM GUIDELINES

### Program Overview

#### Background

In response to the sudden decline in economic output following the Coronavirus disease 2019 (COVID-19) outbreak, Congress signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law on March 27, 2020. The CARES Act established the Coronavirus Relief Fund (CRF), which provides \$150 billion in direct assistance for domestic governments, territories, and tribal areas to disburse in accordance with its provisions.

To ensure the expeditious processing of apportioned funds from the CARES Act, the Government of Puerto Rico established the Disbursement Oversight Committee, consisting of a representative of the Secretary of the Department of the Treasury, a representative of the Director of the Office of Management and Budget (OGP), and a representative of the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF).

#### Program Description

On May 14, 2020, Governor Wanda Vázquez Garced announced the Private Sector Payroll Protection Program (Program), which makes up to \$350 million in immediate CRF funds available to private employers, subject to certain terms and conditions, in the form of a grant (“Grant”). Businesses are eligible to apply for more than one CRF program if the business does not submit the same line item expense through multiple programs.

The Program provides emergency assistance to private employers who continued to pay their employees during the COVID-19 emergency despite the fact that their operations were interrupted. Grants are awarded based on business need, as described in the Grant Calculation section of these Guidelines. Businesses receiving a Grant will need to demonstrate that it maintained payrolls at the same or higher levels for at least eight weeks, starting on the date the Grant is received.

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.

#### Points of Contact

The Program will be supervised by the Disbursement Oversight Committee and administered by the Department of the Treasury of Puerto Rico in conjunction with the Department of Economic Development and Commerce and the Puerto Rico Department of Labor and Human Resources as lead agencies.

#### Eligibility Criteria

Eligible Applicants must meet all the following criteria:

- Be a private employer;
- Employ no more than 500 employees;
- Have an annual gross income of \$10,000,000 or less;
- Have been in operation on March 15, 2020 with at least one (1) employee for whom it paid salaries and payroll taxes;
- Be duly registered in the Merchants Registry of the Department of the Treasury;

- Have incurred or planned to incur necessary expenditures related to the COVID-19 emergency and maintain documentation that reliably demonstrates the expenses;
- Commit to abiding by the terms and conditions of the Program, including requests for documentation and auditing requests;
- Agree to return the Grant funds, if it is determined that they did not comply with any of the Program eligibility requirements or if the Grant funds were not spent on eligible expenses by December 30, 2020;
- Agree that while receipt of other funds for COVID-19 related assistance does not preclude an Applicant from receiving Grant funds under the Program, the expenses to be covered utilizing the funds of the Grant 1) have not been covered or reimbursed and 2) will not be covered in the future, by other state, federal, or private programs;  
and
- Agree and certify to 1) remain in operation within applicable laws, regulations and local ordinances and 2) retain employment levels at the same level on the date of application under this Program for a period of time no less than eight weeks after receipt of Funds from this Program.

#### *Available Awards*

Available awards will be distributed to eligible private employers in accordance with the CARES Act and other applicable law. Emergency assistance will be provided based on an assessment of the individual employer's needs in response to the COVID-19 public health emergency, as described below in the Grant Calculation section of these Guidelines.

#### *Other CRF Programs*

In addition to the Program detailed above, Governor Vázquez allocated funds for additional programs to address 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. Please visit <http://www.aafaf.pr.gov/covid-19-resource-center/> for additional information about these programs.

#### *Allowable Expenditures*

Payroll costs that keep workers on the Applicant's payroll for at least eight weeks, starting on the date the grant is received, despite disruptions incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19). Allowable payroll costs under this award include, but are not limited to:

- Compensation to employees (whose principal place of residence is in the United States including its territories) in the form of salary, wages, commissions, or similar compensation;
- Cash tips or the equivalent (based on employer records of past tips, or, in the absence of such records, a reasonable, good-faith employer estimate of such tips);
- Payment for vacation, parental, family, medical, or sick leave;  
and
- Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement.

Eligible payroll costs must have been incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

### Ineligible Expenditures

Ineligible expenses will be determined by the Department of the Treasury, the Department of Economic Development and Commerce, the Department of Labor and Human Resources, the U.S. Department of the Treasury, the Office of the 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, federal, or private insurance programs that the Applicant may have;
- Any compensation of an employee whose principal place of residence is outside of the United States;
- The compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary;
- Federal employment taxes imposed or withheld, including the employee’s and employer’s share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees;
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Pub. L. 116–127);
- Employee bonuses;
- Severance pay;
- and
- Executive bonuses, debt refinancing, or other expenses that are determined to be unnecessary for continued operations in the COVID-19 environment.

### Process Overview

The following is intended to outline the process by which funds from the CRF will be distributed to Applicants of the Program.

May 14, 2020	Award Announced
Week of September 14	Application Period Opens
Beginning the Week of September 14	Applications Received by SURI program on a first come first served basis
Funds expended	Application Period Closes
December 30, 2020	Deadline for Award Funds to be Used by Recipient
February 1 – April 30, 2021	The Program Audits Use of Funds Compliance and Recovery
May 1, 2021	Program Close

### Application

Applications will be submitted through the SURI system administered by the Puerto Rico Department of the Treasury. Upon submission, Applicants will receive a confirmation via electronic mail. More information on forms, documents, and eligibility can be found on the web at <http://www.aafaf.pr.gov/covid-19-resource-center/>.

The Program is estimated to open for applications on the week of September 14 and will remain open until funds are expended. All submissions will be accepted on a first come first served basis and evaluated on a rolling basis in accordance with criteria set forth by the Program.

*Evaluation*

Applicant will certify eligibility with terms and conditions of the Program at the moment of submitting application through SURI system.

The Disbursement Oversight Committee will receive a final report of Funding award decisions.

*Grant Calculation*

To ensure the funds are distributed based on business need, grant Amounts will be calculated using the following steps:

Step	Calculation
1. Calculate <b>Total Q2 Decline vs Prior Year</b>	Q2 2019 Net Income <sup>1</sup> – Q2 2020 Net Income = <b>Total Q2 Decline</b>
2. Identify <b>Qualified Decline</b>	Total Q2 Decline – 2020 Federal Funds Received <sup>2</sup> = <b>Qualified Decline</b> <sup>2</sup> Includes, but not necessarily limited to, SBA PPP Grant and CRF Assistance to Small/Medium Business Awards
3. Calculate <b>Award Cap 1 (Income Decline)</b>	Qualified Decline x Rate (see Table A, Rate %) = <b>Award Cap 1</b>
4. Calculate <b>Award Cap 2 (Per Employee)</b>	# of Employees x Rate (see Table B, Grant Rate \$) = <b>Award Cap 2</b>
5. Determine Grant Award	Identify the lower Award Cap <ul style="list-style-type: none"> <li>• Award Cap 1 &lt; Award Cap 2 = <b>Award Cap 1</b></li> <li>• Award Cap 1 &gt; Award Cap 2 = <b>Award Cap 2</b></li> </ul>

The Applicant will self-report the number of eligible employees used in the calculation of Award Cap 2. This number will be checked against SURI records based on other filing data and discrepancies may be flagged for audit review.

**Table A: Grant Caps by Company Size:**

# of Employees	Rate % of Qualified Decline
1 – 25 Employees	60%
26 - 50 Employees	55%
51 – 100 Employees	50%
101 – 250 Employees	45%
251 + Employees	40%

**Table B: Grant Caps by Industry and Employee #:**

Eligible Employer NAICS Code	Grant Rate/Employee
Leisure and Hospitality	\$1,500
Mining, Logging, and Construction	\$1,500
Trade, Transport, and Utilities	\$1,300
Professional and Business Services	\$1,300
Manufacturing	\$1,000
Education and Health Services	\$1,000
Information	\$1,000

Eligible Employer NAICS Code	Grant Rate/Employee
Financial Activities	\$1,000
Government	not eligible
Non-Profit	\$1,500
Other Services	\$1,000
Agriculture	\$1,000
Real Estate	\$1,000

#### *Award and Funding*

Applicants will be notified through the SURI system of funding decisions. Subsequent Grant funding opportunities (including expansion of eligible institutions and use of funds) will be determined based on availability of Grant funds remaining after completion of initial awards.

Upon notification of an affirmative funding decision, the Grantee business will have to agree to the Program's terms and conditions. The acceptance of the terms and conditions as well as the subsequent receipt of the Grant funds will constitute a legally binding agreement between the business and The Government of Puerto Rico and lays out the terms and restrictions for the use of Grant funds.

#### *Compliance*

Any Grantee business that receives Grant funds from the Program will be required to retain evidence of eligible expenses reimbursed by the Grant funds for a period of five (5) years. Furthermore, by accepting CRF funds the Grantee business is 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 Grant funds.