



GOVERNOR OF PUERTO RICO

Ricardo Rosselló Nevares

July 31, 2019

The Honorable Mitch McConnell
Senate Majority Leader
United States Senate
Washington, DC 20515

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
Washington, DC 20515

The Honorable Charles Schumer
Senate Democratic Leader
United States Senate
Washington, DC 20515

The Honorable Kevin McCarthy
House Republican Leader
United States House of Representatives
Washington, DC 20515

Dear Majority Leader McConnell, Speaker Pelosi, Democratic Leader Schumer and House Republican Leader McCarthy:

On February 4, 2019, Puerto Rico submitted, as required by the Bipartisan Budget Act (BBA) of 2018, P.L. 115-123, the first Congressional Report detailing our progress towards the Economic and Disaster Recovery Plan, *Transformation and Innovation in the Wake of Devastation: An Economic and Disaster Recovery Plan for Puerto Rico* ("Recovery Plan"), as well as our concerns moving forward. As required by the BBA, please accept this letter and the attached summary report as the second Congressional Report detailing additional progress to date. This progress is, in part, the result of the tremendous and often bipartisan support we have received from Congress, as well as the support we have received from the Federal Emergency Management Agency (FEMA) and other Federal agencies.

As expressed in both the Recovery Plan and the first Congressional Report, Puerto Rico views our recovery from the seemingly insurmountable devastation of the storms as an opportunity for bold transformation. Our goal is to use the recovery from the

disastrous impacts of the 2017 hurricanes as an opportunity to achieve a future Puerto Rico that is resilient, economically vibrant, and the economic hub for the United States' investment in Latin America. To achieve this goal, we will continue to require the partnership and support of Congress. Within the past 180 days, Congress has addressed some of our needs through the provision of \$600 million for the Nutrition Assistance Program (NAP), additional supplemental appropriations, and legislative solutions for a more complete and thorough recovery. While challenges remain, and the continued support of Congress will be critical, we are hopeful of what the future holds for the 3.2 million American citizens who call Puerto Rico home.

Implementation of the Recovery Plan

Since our first Congressional Report, Puerto Rico continues to implement our vision for the future of Puerto Rico as articulated in the Recovery Plan. To date, all 276 Courses of Action (COAs) identified in the Recovery Plan have been assigned to the appropriate Government Agencies, with several being consolidated or removed through a validation process designed to ensure each COA is achievable, affordable, sustainable, and in support of the long-term objectives of the recovery. Agencies have developed action plans for the completion of their assigned COAs and continue to revise and revalidate each objective as they progress through implementation. Certain agencies have moved past action plan development, including the U.S. Department of Commerce Economic Development Administration (EDA). EDA constructed the Forward Center, a 30,000 square foot disaster resistant building that will aid in disaster and economic recovery efforts, housing up to 60 technology startups.

Organizational and Continuous Improvement Activities to Facilitate Recovery

Since our first Congressional Report, we have made significant progress in maturing the organization of the Central Office of Recovery, Reconstruction, and Resiliency (COR3) to ensure it is comprised of the right expertise to move the recovery forward in a compliant and transparent manner. COR3 is working across all recovery sectors ("Sectors") with the established Recovery Support Functions (RSFs), consistent with the National Disaster Recovery Framework.

The following achievements during the last 180 days have substantially improved the process of our island's recovery:

- Removal of the manual drawdown process (the "270 process"), demonstrating the success COR3 has had in establishing appropriate financial controls and grant monitoring capabilities;

- Enhancement of the COR3 Transparency Portal to allow for greater public understanding of Puerto Rico's use of recovery funds; and,
- Centralization of governmental procurement activity to improve transparency and enhance efficiency under the General Services Administration (ASG, Spanish Acronym). These include strategic sourcing and purchase order processing. ASG procurement activity, more broadly, now includes both disaster and non-disaster recovery procurement.

Federal Programs: Program Status and Progress

The attached report provides updates on the implementation status of the Federal programs that constitute most of the recovery funds in Puerto Rico. These Federal programs include: the FEMA Individual and Households Program (IHP), Public Assistance (PA) Program, Hazard Mitigation Grant Program (HMGP); and the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant-Disaster Recovery Program (CDBG-DR). These programs contribute the following funds:

- **IHP:** Over **1.1 million families** applied for assistance through IHP; of these families, **471,687 families** received approximately **\$1.3 billion in assistance** for household repair and replacement of essential personal property. Through the Shelter and Temporary Essential Power Program (STEP), another approximate **\$1.4 billion has been expended** to repair **109,646 homes** to a safe and habitable condition. In all, Federal assistance to repair individual homes and personal property has totaled approximately **\$4.4 billion**.
- **PA:** According to the Robert T. Stafford Disaster Relief and Emergency Assistance Act, P.L. 100-707, FEMA estimated **total damages at approximately \$55 billion**. This number makes our recovery from Hurricanes Irma and Maria one of the largest recovery events in U.S. history. However, of that total damage estimate, only \$5.8 billion has been obligated, of which \$3.7 billion has been fully disbursed indicating a considerable effort remains for further coordination.
- **HMGP:** FEMA has awarded approximately **\$3 billion for HMGP**.
- **CDBG-DR:** Congress has allocated approximately **\$20 billion through the CDBG-DR Program** to support our recovery. Of that amount HUD has currently obligated approximately **\$1.5 billion**. We have filed Action Plans describing our intended use of these funds.

Across these Federal programs, we are implementing measures to ensure funds are expended in a manner that protects the Federal investment in our recovery and maximizes the benefits for our citizens and our economy. We are developing, for

example, a hazard mitigation plan which focuses, in particular, on the PA Program and the CDBG-DR Program.

Federal Areas for Further Assistance

As we work to build Puerto Rico back better, unfortunately obsolete policies and ever-changing rules governing the use of Federal funds on the island represent a continued challenge to our pace of recovery, making it difficult to build a Puerto Rico that is more resilient to future natural disasters. Among the most pressing challenges to the recovery that exist today are:

1. Resolution of the Fixed Cost Estimate (FCE) Deadline of October 2019:
 - Under Sec 428 of the Stafford Act-Alternative Procedures, FEMA has been slow to approve estimates for work and COR3 is concerned the fixed cost will be out of scope by the time the projects are executed resulting in unnecessary cost overages for which Puerto Rico would be liable;
2. Resistance from FEMA to allow Cost Estimates by Licensed Engineers, as permitted under the Sandy Recovery Improvement Act, P.L. 113-2:
 - To date, FEMA has not allowed outside licensed engineers to develop cost estimates for work to be performed resulting in increasingly long wait times for engineering surveys/certifications;
3. Resistance from FEMA to agree on defined “industry standards”:
 - As COR3 waits to begin initial construction discussions with Concessionaires, FEMA has not provided all industry standards to COR3 to ensure all building construction is compliant with federal regulations;
4. A recent switch to the National PA Delivery Model:
 - In June 2017, FEMA instituted a new delivery model, which provides a higher level of grant oversight including assessment, scoping and costing, and construction reviews. This oversight combined with the compliance measures already exercised by COR3 creates more delays to construction under disaster recovery; and,
5. Reduced ability to collaborate in the development of Fixed Cost Estimates:
 - This is particularly challenging as collaboration in the development of Fixed Cost Estimates is required under the 428 agreement.

RICARDO ROSSELLÓ NEVARES
GOBERNADOR

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LA FORTALEZA

As Congress recognizes, it is critical that Puerto Rico restore its competitiveness and capacity for economic growth, and full implementation of the Recovery Plan will allow us to do just that. Capitalizing on the momentum generated from the collaborative efforts with GPR, COR3, and multiple federal agencies up to this point, a continued partnership with Congress is essential to the future of our island.

Sincerely



Ricardo Rosselló Nevares

Re: Second Congressional Status Report on the Economic and Disaster Recovery Plan

As required by Bipartisan Budget Act of 2018 (BBA) P.L. 115-123, the Government of Puerto Rico (GPR) provides this document to Congress as the second status update on the implementation of the Economic and Disaster Recovery Plan of Puerto Rico (“Recovery Plan”). On August 8, 2018, GPR submitted the Transformation and Innovation in the Wake of Devastation: An Economic and Disaster Recovery Plan for Puerto Rico (Recovery Plan) to Congress; subsequently, the first Congressional Report was submitted on February 4, 2019.

As described in the first Congressional Report, on October 3, 2017 Governor Ricardo Rosselló established the Central Office of Recovery, Reconstruction, and Resiliency (COR3) under Executive Order OE-2017-65 to lead and coordinate the recovery in Puerto Rico, including the implementation of the Recovery Plan. It is important to note that COR3, along with the broader GPR, has made great progress in fiscal transparency and responsibility as Federal funding is being directed to the island. This report will focus on the progress COR3 has made in achieving the objectives of the Recovery Plan and the important advances in the lifeline sectors like Energy, Transportation, Water, and Communications, and Education as well as disaster preparedness in the last six months. Additionally, updates on continued collaboration with the Federal Emergency Management Agency (FEMA) and Other Federal Agencies (OFAs) will be discussed.

GPR/COR3 Development

Since the first Congressional Report, COR3 has continued to mature its organizational structure, successfully developed internal controls, processes and procedures for grant management and subrecipient monitoring and compliance. The Federal Government’s recognition of this progress was demonstrated when, in April 2019, FEMA lifted the manual drawdown procedure, known as the 270 process. This recognition of Puerto Rico’s established controls to provide proper oversight and accounting of Federal Disaster Grants has resulted in a more rapid disbursement of available Federal funds than under FEMA’s process. While it is true that FEMA has re-imposed the 270 process, we believe this to be a temporary situation as the transition of the Governorship takes place and the GAR position and FEMA/State agreement are renewed. Additionally, COR3 has promulgated development of The Puerto Rico Disaster Recovery Solution (PR DRS) as COR3’s system of record for reviewing and processing all payment requests from PA Subrecipients, allowing COR3 to provide continuous oversight of grant dollars. To date, PR DRS has supported the processing of 510 unique payments to 187 Subrecipients, totaling more than \$449 million in funding.

COR3 continues to promote fiscal responsibility and transparency in all aspects of the recovery; to that end, the Transparency Portal (<https://recovery.pr>) allows stakeholders visibility into the progress of recovery. COR3 continues to make enhancements to the Transparency Portal (“Portal”) to improve user experience and provide a public accounting of the recovery process. The Portal is accessible on all devices (desktop, tablet, and mobile) and provides newly added features explaining how the various disaster grant programs function and how funds are provided and accounted for. Additionally, the Portal’s interactive map provides visual comparisons of funding breakdowns across the Island allowing the public to see how recovery is progressing in their municipality.

As a layered approach to compliant fiscal management, and attributable to Governor Rossello's fiscal reforms and government transformation initiatives, the GPR is working to implement reforms and centralize procurement operations under one agency. Through Executive Order OE 2019-008, the General Services Administration (ASG by its Spanish Acronym), under the leadership of the Chief Procurement Officer (CPO), is centralizing procurement to allow for greater transparency into the process and strengthening GPR's purchasing power. Additionally, the Governor recently signed PC2112 which will codify these changes into the future. There are several key elements of this procurement reform, including:

Centralized Procurement Operating Model: Strategic sourcing and purchase order processing will be centralized under ASG. The scope of ASG procurement activity will include both disaster and non-disaster recovery procurement.

Workforce Transformation: A properly skilled workforce is required to effectively operate the Centralized Procurement Operating Model. Through personnel transformation, ASG has identified 14 Full-Time Employees (FTEs) across Category Leaders, Managers, and Analysts in FY20 to meet this critical role.

Process Standardization: Standardized and consistent processes, under the new operating model, will be measured in terms of efficiency (e.g. spend per employee, purchase orders processed per employee) and effectiveness (e.g. savings as a percentage of total spend, requisition to purchase order cycle time) in order to meet strategic sourcing and purchase order process guidelines.

Strategic Sourcing Execution: Sourcing and contracting activities within all GPR agencies and instrumentalities will be conducted through ASG to leverage the purchasing power of GPR, and to reduce costs, bring consistency and streamline operations.

Use of Enabling Technology: Full and complete centralization of procurement functions will be enabled by technology for sourcing contracting and purchase order processing, allowing the decentralized execution of requisitioning.

These fundamental changes are all part of reforms and procedures that position the GPR to compliantly manage Federal grant funds, improve the ease of doing business, enhance private investment opportunity, and increase fiscal stability, providing greater confidence from capital markets and greater transparency with Federal stakeholders.

Implementation of the Recovery Plan

To address the priorities detailed in the Governor's Economic and Disaster Recovery Plan, the GPR identified 276 specific Courses of Action (COA) to ensure capital investments and strategic initiatives outlined in the plan align to a full recovery. Following the assignment of COAs to GPR agencies, COR3 created processes and structures to enable the development of Action Plans for each COA. Action Plans are portfolios of projects and associated work plans that delineate the steps necessary to achieve the objective articulated in each COA. COR3's Strategic Division continues to consolidate and revise COAs to facilitate Action Plan submission and future updates. COR3 developed an online submission platform to

enable standardization and aggregation of agencies' Action Plans. This tool will allow COR3 to monitor the development of projects, identify areas in need of support, and support GPR Agencies in the execution of the Recovery Plan. COR3 is leveraging the support of Federal recovery partners like the U.S. Economic Development Administration (EDA) and other stakeholders to improve quality of Action Plans and support the GPR agencies in their recovery efforts.

Please see below for progress across Sectors:

Energy Sector - Program Management Office (PMO)

COR3 and the Puerto Rico Electric Power Agency (PREPA) have formed the Energy Sector Office (ESO) to jointly spearhead the energy system transformation of Puerto Rico. The ESO is a Program Management Office (PMO) that conducts the daily operations required to drive recovery projects and initiatives in the Energy Sector. The ESO, comprised of top industry experts, is tasked with leading the energy system modernization planning, project definition, funding formulation, program management and administration.

ESO's goals include:

- Manage all work related to the energy sector rebuild,
- Provide technical expertise to support energy sector rebuild projects,
- Secure funding to rebuild Puerto Rico's Energy Grid resiliently, and
- Build, test, and commission all energy sector rebuild projects.

Energy Sector - Grid Modernization Plan (GridMod Plan)

COR3 and PREPA are collaborating on the GridMod Plan, scheduled to be socialized with key stakeholders and released in Summer 2019. The GridMod Plan is critical to the future of Puerto Rico's economy and quality of life for citizens through establishment of an electric grid that is reliable and affordable. The GridMod Plan is a 10-year strategy and roadmap to guide the reconstruction and transformation of the Puerto Rico power sector, with four overarching goals:

- Build a modern grid capable of meeting the needs of Puerto Rico for reliability and economic opportunity,
- Develop a resilient power grid capable of withstanding all but the most severe weather events,
- Build a fiscally responsible system that is affordable in terms of both short and long-term maintenance costs, and
- Align with the Integrated Resource Plan (IRP) which envisions a gradual reduction of non-renewable energy sources to improve energy independence.

The GridMod Plan recognizes the need to identify affordable power generation solutions for the island and envisions a transition to Liquid Natural Gas (LNG) as a first step towards decreasing the cost of producing energy. The Plan focuses the investment of recovery dollars first towards projects that can be completed by October 1, 2021 and those projects most critical for stability of the system. Finally, the GridMod Plan anticipates a \$2 billion annual rate of expenditure with funds coming from a mix of Federal grants, where eligible, and private investment.

Water Sector

The Puerto Rico Aqueduct and Sewer Authority (PRASA) has an ambitious plan to repair damages caused by Hurricanes Irma and Maria—while also meeting its defined Capital Improvements Program (CIP) objectives (regulatory compliance, operational efficiency, system simplification, modernization and technology)—to build a more resilient and reliable system, improve water quality, and achieve financial sustainability while maximizing use of Federal funds. PRASA has incorporated over 300 projects in their CIP aligned with the 14 Water Sector Courses of Action (COAs) under its jurisdiction. These COAs aim primarily to rebuild the physical infrastructure to current industry standards; improve operational efficiency, situational awareness, and asset management; and build capacity in the sector to enable transformational changes to be resiliently maintained over the long-term. Costs for implementing the portfolio of PRASA’s COAs are estimated to total approximately \$6 billion over the next decade.

PRASA is diligently working on the procurement process to qualify and contract with internationally recognized program management engineering consultants (PMCs), a strategy that proved successful for PRASA in the deployment of its CIP from 2005 through 2016. The PMCs will assist and support PRASA in the management and deployment of their CIP, providing certainty and management controls to this ambitious plan. Another key initiative PRASA is currently working on is the Public-Private Partnership (P3) Project: Optimizing PRASA’s Metering System and Customer Experience, which has also been included in their COAs portfolio. Through this P3 Project, PRASA intends to repair and modernize their customer water meters and meter reading technology; modernize their commercial operations, activities, and services; and empower customers and improve their service experience through digital tools and advanced technologies.

In terms of Federal funding, FEMA’s Public Assistance Program (PA) has supported the recovery of Puerto Rico’s Water Sector applicants (including private non-profit (PNP) applicants) with a total of 90 PA emergency and permanent work projects obligated to date for a total of \$325.3 million.¹ This includes 85 emergency work projects at \$143.6 million and five permanent work projects at \$181.7 million, including one Architecture and Engineering (A&E) permanent work project for \$180.6 million (all figures indicate the Federal share value of the projects).² These funds are being used primarily for the repair or replacement of PRASA drinking water system assets and facilities to enhance future resilience to extreme events. Portions of the funds are also being used to repair, replace, and update wastewater treatment plants as well as sanitary sewer collection systems to maintain regulatory standards, anticipate future capacity needs, and follow industries best practices.

The Environmental Protection Agency (EPA) has played a key role in the Water Sector. The EPA has done substantial work in communities to legally organize community aqueduct systems, known as non-PRASA systems in Puerto Rico, to help them qualify as PNP applicants for different Federal programs. In September 2018 a Memorandum of Understanding (MOU) was signed to formally establish a mutually beneficial working relationship between the EPA, Water Mission International, the Polytechnic University of Puerto Rico, the Puerto Rico Science, Technology & Research Trust and the American Red Cross. This MOU intends to build capacity, develop, and implement equitable, reliable, and resilient solutions to community drinking water systems and other unregulated drinking water systems located in geographically remote areas in Puerto Rico. The MOU promotes education, capacity building, sustainability, and the design and implementation of projects to enhance these community

¹ FEMA Water Sector Public Assistance data as of July 10, 2019

² FEMA Water Sector Public Assistance data as of July 10, 2019

water systems to address the challenges presented by weather events. All Non-governmental Organizations (NGOs) that are part of the MOU have leveraged more than \$10 million in support of the communities.³

In addition to working with communities to aid in the recovery of their drinking water systems, the EPA is also working with municipal governments to recover and enhance their stormwater systems. The EPA performed an assessment of Municipal Stormwater Systems in all of Puerto Rico's seventy-eight municipalities and identified the primary damages and shortfalls of these systems. As a result of this assessment, EPA partnered with local NGO ReImagina Puerto Rico to build municipal stormwater management capacity by offering 4 Integrated Stormwater Management Seminars throughout Puerto Rico with approximately 250 participants and 51 out of 78 municipal representatives.⁴

Transportation Sector

The Transportation Sector supports safe roads and airports that serve essential disaster response functions, economic activity, and the safety and wellbeing of Puerto Rican residents. The devastation to the Transportation Sector was far reaching; it included 4 airports, 4 seaports, and the most severe damage impacting the mountains and access to the central valley region. To date, several key accomplishments have occurred for the recovery of Puerto Rico's Transportation Sector through the FEMA PA program:

- \$260 million has been obligated for emergency work projects.
- \$146 million has been obligated for permanent work projects.
- \$145 million has been obligated towards nine Architecture and Engineering (A&E) Permanent Work projects.⁵

Other GPR agency/FEMA Emergency Work in this sector includes:⁶

- A total of \$231 million obligated funds for debris removal as of July 2019, across all sectors
- \$54.5 million in completed work by Eastern Federal Land Highway Division including the replacement or repair of 17 bridges.
- The innovative use of Lidar Technology as a complementary tool for damage assessments on roads, resulting in the completion of a \$10.7 million Lidar project.

The Puerto Rico Highways and Transportation Authority (PRHTA) and its sub-agencies with Federal Highway Administration (FHWA) allocated funds are also performing work to not only repair the damage to the surface transportation network, but also to refine and enforce design standards for roads and bridges. Immediately following the devastation of Hurricane Maria, FHWA quickly allocated \$72.5 million in funds to Puerto Rico for Emergency Relief (ER) to restore essential service on roads and bridges and an additional \$70 million were subsequently allocated to continue emergency repairs.⁷ Moreover, in a statement released February 5, 2019, the U.S. Department of Transportation (DOT) announced an additional allocation of \$138 million for Puerto Rico to use towards reparations/enhancements of PR 17-1, PR 18-1, and the recovery of transportation infrastructure on Puerto Rico Federal lands. Of the \$272.5

³ EPA Update Report, EPA Recovery Priority Projects and Initiatives (Puerto Rico) as of July 15, 2019

⁴ EPA Update Report, EPA Recovery Priority Projects and Initiatives (Puerto Rico) as of July 15, 2019

⁵ FEMA Transportation Sector Public Assistance data as of June 26, 2019

⁶ FEMA Transportation Sector Public Assistance data as of June 26, 2019

⁷ U.S. DOT notice dated November 22, 2017, <https://www.fhwa.dot.gov/pressroom/dot17090.cfm>

million allocated to date, the Puerto Rico Highways and Transportation Authority (PRHTA) has obligated \$163 million and disbursed \$112 million.⁸

To maximize the impact of FHWA ER funding, PRHTA has developed a new working arrangement with Eastern Federal Lands Highway Division (EFLHD), a division of FHWA, and signed two MOUs by which EFLHD will support implementation of the ER Program. The first MOU provisions EFLHD support on Construction Engineering and Inspection (CEI) services for active emergency repairs within the federal aid roads. The second includes EFLHD support on \$535 million in capital expenditures for improvements to Puerto Rico's roads as part of permanent repairs – prioritizing roads still affected by landslides or washouts. Under the agreement, EFLHD will procure the construction materials and services and provide CEI services for permanent repairs associated with landslides, signages, safety devices, and replacement of modular bridges. Other permanent repair work, including improvements to traffic signals, lighting, communications and bridges, will still be executed by the PRHTA.

A total of \$29.1 million from the DOT was also allocated to GPR for the rehabilitation of the Rafael Hernandez airport in Aguadilla (\$20 million split into two allocations to support runway repairs) and the San Juan Luis Muñoz Marín airport (\$9.1 million for removal work for items classified as obstruction).⁹

Communications/IT Sector (CIT)

Communications and Information Technology (CIT) are a vital component of preparedness to, during, and after natural disasters. Thus far, approximately \$12.3 million has been obligated through FEMA PA to support CIT projects. The largest of these projects is the Puerto Rico Emergency Management Agency (PREMA) completion of the restoration of Alternate Communications Systems after severe damages by Hurricanes Irma and Maria.

The development of other priority projects in this Sector are being supported by a mix of FEMA programmatic funds to include HM 404 and 406 funds. The most critical of these projects is the hardening of El Yunque Mountain Communications Tower. El Yunque National Forest holds critical communications sites and equipment used to support national security and other privately-owned infrastructure that maintain communications functionality throughout the Island. FEMA and GPR partners are working on a COA to bury power cables and simultaneously include a fiber optic cable to ensure the redundancy of the communications system. This project is a cross sector effort with the Energy Sector and its main partner, PREPA.¹⁰

Another major project in this Sector is a PA emergency work project installing nine tsunami alarms adjacent to Lake Guajataca Dam and its downstream area. Built in 1929 using semi-hydraulic fill, Lake Guajataca Dam is non-compliant with current standards and poses a threat to 70,000 residents if the structure is compromised. The sector is also working to integrate the other 78 tsunami warning sirens –

⁸ Puerto Rico Department of Transportation and Public Works information as of July 11, 2019

⁹ Notice from the Office of the Resident Commissioner for Puerto Rico, <https://www.fhwa.dot.gov/pressroom/dot17090.cfm>

¹⁰ FEMA Communications/IT Sector information as of July 10, 2019

one in each municipality – to the Integrated Public Alert and Warning System (IPAWS) which is the nation’s alert and warning infrastructure.¹¹

The CIT Sector is especially apt for private investment. An excellent example of this viability is a current project underway with private company, Blackburn Technologies LLC., to build additional submarine cables around the Island, thereby, increasing the resiliency of the infrastructure. There are additional active pursuits with other private investors to enhance the capacity and resiliency of Puerto Rico’s CIT infrastructure.

Public Education

As one of the main tenets of the Governor’s Recovery Plan – producing a safe, educated, healthy, and sustainable society – the recovery of the public education sector remains a top priority.

All Puerto Rico Department of Education (PRDE) schools were mandated to update their Emergency Operation Plans (EOPs) from their existing multi-hazards plans in accordance with FEMA standards. Guidance for the updating of these plans was prepared by PRDE with assistance from the Health and Social Services Recovery Support Function (HSS-RSF) for 4339-DR and was revised by PREMA. Revised EOPs will allow school leadership to respond more effectively to events such as hurricanes, earthquakes, tsunamis, chemical spills, explosions, and fires. PRDE has 838 active schools and has received approximately 84% of the total EOPs; received plans are currently being reviewed by the PRDE Security Office and the Puerto Rico Emergency Management Agency (PREMA). The HSS-RSF also provided Readiness and Emergency Management for Schools (REMS) Train-the-Trainer Programs as part of these collaborations. The PRDE’s EOP has also been completed as well as the EOP for the School Food Authority.

The HSS-RSF collaborated with PRDE in the development of a guide for the Department’s planning staff to support emergency preparedness, response, and recovery titled Planning of Emergency Operations for Persons with Disabilities in Schools, which was approved by PRDE in 2019. Additionally, the “Empowering My Community”, or EMC plan, is currently being implemented by the HSS-RSF as agreed upon with the PRDE as part of a long-term recovery planning process. EMC’s purpose is to produce a long-term recovery plan for each of the seven (7) PRDE educational districts, together with the school community’s participation. Since March 2019 to date, two rounds of regional planning sessions have been held in each of the educational districts. The HSS-RSF also kick-started an EMC Solutions-Based Team that incorporates key participants from diverse sectors, including NGOs, community leaders, and PRDE.

The Department was able to distribute 1,189,500 books and educational materials to replace damaged materials in schools. As for school structures, the Puerto Rico Department of Housing has inspected and identified 358 schools that are ready to be used as emergency shelters in the case of a future event.¹²

To better address the well-being of students for disaster-related events, PRDE implemented the Sanford Harmony social-emotional learning program in 255 schools of levels K-8. This program is directed at training social workers, counselors, teachers, and directors to strengthen students’ resilience to disasters.

¹¹ FEMA Communications/IT Sector information as of July 10, 2019

¹² Puerto Rico Department of Education information as of July 2, 2019

Using the Immediate Aid to Restart School Operations funds (RESTART, from U.S. Department of Education), PRDE hired 432 nurses to give medical and mental health attention to students in schools across the system.¹³

Preparedness for Disasters

Puerto Rico's ability to prepare for and withstand future disasters by increasing whole community preparedness remains a high priority. Updates, upgrades, and contingencies have been implemented in preparedness systems to achieve effective resilience in a future incident. Work on coordination and emergency management continue and processes have vastly improved the collaborative response required to face any follow-on significant event.

The Puerto Rico Emergency Management Agency (PREMA) has addressed gaps in emergency preparedness by developing and updating response plans at all levels to meet Federal standards. PREMA has revised the Emergency Plan (to adapt it for a catastrophic event), the Distribution Plan, and the Mass Care Plan. The municipal Emergency Operations Plans (EOPs) have been updated and approved and PREMA is reviewing 35 Agency emergency plans. The newly created National Business Emergency Operation Center (NBEOC) is coordinating the private sector with PREMA to develop a private sector emergency plan aligned with the Commonwealth Emergency Plan.

PREMA acquired two facilities for additional emergency management equipment storage and distribution capacity. The PREMA regional offices have been reorganized to consolidate resources and address staffing gaps. A new Emergency Management Academy is currently under development and will be used to train first responders with equipment and space to conduct full scale, discussion- and operations-based exercises.

PREMA has also successfully completed the recovery of the Alternate Communications Systems including the acquisition and installation of VHF 100W radios in 113 locations across Puerto Rico to include all 78 municipalities, Emergency Management (EM) regional offices and headquarters, fire stations, and regional police stations.¹⁴

Given the importance of radio communications during a disaster, additional UHF 100W radios will be installed in the Puerto Rico Medical Emergency Agency, the primary Commonwealth hospitals, and the PREMA headquarters and regional offices. Satellite communication devices and technology will be obtained in the near-future and agreements with volunteer radio amateurs (KP-4) are taking place to train and collaborate with emergency managers for a future incident.

The ongoing collaboration with Federal partners has allowed the GPR to implement a series of capacity building activities in the last 180 days at all community levels: municipal and commonwealth government, private sector, non-governmental organizations, and individual families including special needs individuals. PREMA, in coordination with the FEMA Capacity Building Sector, delivered over 420 activities and workshops reaching over 112,800 individuals to build resiliency. These activities included specialized

¹³ Puerto Rico Department of Education information as of July 2, 2019

¹⁴ Puerto Rico Emergency Management Agency information as of June 20, 2019; and FEMA Communications/IT Sector information as of July 10, 2019

workshops surrounding functional needs such as American Sign Language preparedness training and Strategies for Inclusive Emergency Plan for People with Disabilities. PREMA has coordinated and facilitated Preparedness Summits and Community Emergency Response Team (CERT) Training, impacting approximately 2,600 participants, and has solidified agreements with over 40 faith-based institutions for the Community Hub Plan that provides CERT and supply distribution training for remote and high-risk communities. PREMA collaborated with Universities from Hawaii, Texas, and Louisiana to provide a three-day Emergency Management Convention for mayors and municipal emergency management directors and personnel with the purpose of developing a resilience-oriented workforce.¹⁵

PREMA is in the process of signing several MOUs that will facilitate supply chain logistics and inter-agency coordination for the development of an Incident Management Team and has signed an agreement with an international humanitarian aid organization to assist communities in Eastern Puerto Rico (including the islands of Vieques and Culebra) in training for preparedness and evacuation plans.

Status on Federal Assistance Programs

Due to the vast, physical destruction Hurricane Maria inflicted upon Puerto Rico, multiple federal assistance programs are being utilized to supplement FEMA's disaster relief fund (DRF) reimbursements by providing block grant and other funding allotments for specific sectors across the island. Such assistance packages include FEMA's Individual and Household program, which assists in household repair and replacement of essential living structures. FEMA's PA Program assists with area clean up and funds hazard mitigation measures for residential buildings but is still operating well-behind schedule of other disaster recovery operations. The Global Match Pilot Program is designed to simplify the process of the Cost Share program, which attempts to combine PA funding with the U.S. Department of Housing's (HUD) Community Development Block Grant for Disaster Recovery (CBDG-DR) and aims to reduce the administrative burden associated with the utilization of these funds. Furthermore, discussions with other disaster-inflicted states have resulted in potential cost benefits if properly executed. Alternatively, the Hazard Mitigation Grant and Other Federal Agency funding remain the second largest source of recovery support for Puerto Rico.

Individual and Household Program

Approximately \$4.4 billion in Federal assistance to repair individual homes and personal property has been provided allowing families to move home and begin permanent repairs. As reported in the first Congressional Report, through several programs supported by the Stafford Act, FEMA has provided significant assistance to Puerto Rican families in meeting their emergency needs. Over 1.1 million families applied for assistance under the Individual and Households Program (IHP) with 471,687 families receiving approximately \$1.3 billion in assistance for household repair and replacement of essential personal property. To be eligible for housing assistance under the IHP program, a family must be able to establish title to the property and because of property title issues in Puerto Rico approximately 20,000 households were determined to be ineligible. FEMA implemented a special program to allow these families to

¹⁵ Puerto Rico Emergency Management Agency information as of June 20, 2019

demonstrate ownership through other means and qualified 11,061 of the families originally determined to be ineligible.¹⁶

FEMA has obligated approximately \$1.4 billion under the Sheltering and Temporary Essential Power (STEP) program and 109,646 homes have been repaired to a safe and habitable condition. Another significant effort sponsored by FEMA is the Voluntary Agencies Leading & Organizing Repair (VALOR) effort that has accomplished the reparation of 4,298 homes for approximately \$29 million.¹⁷ As a precondition to certain assistance under IHP, families must apply for disaster loans from the Small Business Administration (SBA) and their disaster assistance is adjusted by the amount of the SBA loan received. The SBA has approved loans for 51,669 households for \$1.7 billion to repair damaged property.¹⁸

Public Assistance

As part of the process of recovery from a major disaster, the FEMA Public Assistance Program (PA) provides State entities, local government and certain Private Non-Profits (PNPs) (all referred to as Subrecipients) funding assistance for debris removal, emergency protective measures and for the restoration of disaster-damaged facilities (referred to as “permanent work”). Currently there are 996 approved Subrecipients and an additional 86 applicants are still being processed for eligibility. FEMA has estimated that funding for the PA program based on current state of damage will be approximately \$55 billion. It is also estimated that, for the permanent work facilities that will need to be repaired or replaced, there are over 70,000 sites that will need to be inspected and the eligible damage quantified.¹⁹

Of the \$55 billion estimated for the PA Program, FEMA has currently obligated approximately \$5.8 billion, of which \$5.1 billion are for debris and emergency protective measures and approximately \$700 million are for 117 permanent work projects. Current estimates predict that 70,000 damaged sites will eventually be reflected in approximately 5,000 Projects Worksheets (PWs) valued at between \$45 and \$50 billion in PA grant funding. With FEMA’s support, Puerto Rico is implementing a Private Property Debris Removal (PPDR) program to allow COR3 to remove debris from private property that will assist in the recovering of our housing capacity and prevent further blight. COR3 anticipates the program will affect over 15,000 properties across the island and collect between 3 to 4 million cubic yards of debris. Although still considered an estimate, this damage assessment is the necessary starting point for the beginning of the actual recovery activity of returning Puerto Rico to the image expressed in the Recovery Plan.

Under Section 406 of the Stafford Act, cost effective hazard mitigation measures are eligible for repair of a damaged facility to increase its ability to withstand a similar event. COR3 is developing and submitting 406 Mitigation packages and is providing guidance to Subrecipients on mitigation measures to encourage aggressive implementation of the 406 authority to increase the resilience of infrastructure across Puerto Rico. From the 884 Detailed Damage and Dimension (DDD) packages COR3 has reviewed to date, it has identified 820 DDDs that have hazard mitigation opportunities and submitted 209 Section 406 mitigation proposals to FEMA.

¹⁶ FEMA Individual Assistance Report dated June 11, 2019

¹⁷ ICF information as of July 10, 2019

¹⁸ FEMA Individual Assistance Daily Status Report dated October 30, 2018

¹⁹ FEMA PA Report dated July 10, 2019; and ICF information as of July 10, 2019

Overall, the progress of the PA Program continues to fall behind the progress made in other significant disasters, like Hurricane Katrina in Louisiana and Hurricane Sandy in New York/New Jersey. Despite every effort of Congress to help us recover, Puerto Rico has only had approximately 125 permanent work projects approved of the 1,475 Project Worksheets submitted in the past 22 months.

Cost Share approach for Funding the Recovery

For all permanent work projects, the GPR and Subrecipients are responsible for providing a 10% cost share for the completion of eligible PA Program projects. Congress has authorized, and it is GPR's intent to use, CDBG-DR funds to meet the cost share requirements. GPR has had extensive discussions with other States who have had experience in combining the two federal programs – PA and CDBG-DR – and has learned that, because of the difference between the regulatory and compliance aspects of the programs, there will be a significant administrative burden and related cost. Given that history, and working with other States, GPR has proposed to FEMA the Flex Match Pilot Program. The Flex Match Pilot Program is in kind with FEMA's Global Match program where up to 25% of the non-federal state share is aggregated across the scope of all PA and CDBG-DR award funds. The advantageous design to the Flex Match Program is to simplify the process of combining PA program funding with the CDBG-DR funding and greatly reduce the associated administrative costs. As an example, in discussion with the States of Colorado, New York and Louisiana, they have indicated a potential cost savings of approximately \$31 million in administrative expenses if the proposed Flex Match Pilot Program had been made available to them. Additionally, such an initiative would speed the implementation of these programs, advance the pace of recovery, and pioneer a program that other states can potentially benefit from in the wake of future natural disasters. Reducing cost of recovery programs is specifically expressed as a goal of Congress in the BBA and will increase the funding that is readily available for direct recovery activities. We urge Congress to express their support for this concept.

Hazard Mitigation Grant Program

FEMA has awarded \$2.999 billion for the Hazard Mitigation Grant Program (HMGP) to Puerto Rico, an additional \$750 million for the non-Federal match will come from the Global Match process with CDBG-DR funds, providing a total of \$3.75 billion. To date, Puerto Rico has received approval for project funding totaling approximately \$160 million.²⁰ The funding disbursed to date has been focused on planning, code adoption, code enforcement, and assessment activities, with the majority directed to code enforcement. It is important to note that through Amendment No. 5 to the Major Disaster Declaration for Hurricane Maria, FEMA is requiring that HMGP funding be prioritized toward protecting Federal investments in Puerto Rico's public infrastructure. Currently, COR3 is receiving Letters of Intent from Subrecipients and has selected a third-party expert to support the State Hazard Mitigation Officer (SHMO) in the implementation and execution of the program. HMGP activities are dependent on the 428 agreement and the CDBG-DR funds for cost share. A determination of the allocation of the remaining HMGP funding is contingent upon HUD's final approval of the second substantial amendment to the Action Plan, submitted on August 14, 2018, by Puerto Rico and the release of the Federal Register for the third tranche of DR-4339 funding.

Community Development Block Grant – Disaster Recovery

²⁰ Puerto Rico State Hazard Mitigation Officer information as of June 27, 2019

Governor Rosselló designated the Puerto Rico Department of Housing (PRDOH) as the Community Development Block Grant for Disaster Recovery (CDBG-DR) grantee on February 23, 2018 with the specification that they would work in coordination with COR3. PRDOH began the preparation of its Action Plan during the month of February 2018, including holding public hearings in March 2018 to get feedback from citizens, local units of government, and GPR agencies on unmet needs and proposals for the recovery efforts. The first draft of the Action Plan was published for public comment on May 10, 2018 and, after the incorporation of public comments received, was submitted to HUD on June 14, 2018. HUD approved the submitted Action Plan, and its comprehensive list of recovery programs on July 29, 2018. Programs included in the Action Plan targeted housing, economic development, planning, and infrastructure needs of Puerto Rico. The first Action Plan sets forth the use of \$1,507,179,000 in CDBG-DR funds for a period of six (6) years, beginning upon execution of the corresponding Grant Agreement—which was signed on September 20, 2018. The first Action Plan includes 19 programs corresponding to the programmatic areas of planning, housing, economic recovery, and infrastructure.²¹

The U.S. Congress made an additional \$18.5 billion in CDBG-DR funds available for Puerto Rico on April 10, 2018. Ten days later, HUD issued a second Federal Notice allocating an additional \$8.2 billion in CDBG-DR funds to Puerto Rico from the \$18.5 billion approved by Congress. Immediately upon HUD’s approval of the first Action Plan, the PRDOH began the development of a substantial amendment to incorporate new programs and to implement changes to the first set of approved programs for the incorporation of the newly authorized amount.²²

The substantial amendment to the Action Plan was published for public comment on September 21, 2018, at which time the PRDOH held public hearings in October 2018. The public comment period ended after 30 days on October 21, 2018, and the PRDOH submitted the substantial amendment with comments integrated to HUD on November 16, 2018. The substantial amendment was approved on February 28, 2019.

The list of CDBG-DR programs for Puerto Rico’s recovery increased with the substantial amendment to the Action Plan. Impacted programs and their corresponding fund allocations include: Programs Administration (\$486,398,100) for the administration of all CDBG-DR programs and General Planning (\$351,743,850).²³

The PRDOH has adopted a new regulation titled “Puerto Rico Department of Housing Procurement Manual and Contractual Requirements for CDBG-DR” to establish the rules and regulations for the acquisition of goods and services; this manual was approved by the Puerto Rico Department of State on February 26, 2019. This Manual contains standardized information to ensure that materials and services are obtained efficiently and in compliance with the provisions of applicable local and Federal laws, regulations, and executive orders.

PRDOH will continue working on the development of required documents for all other programs included in the first Action Plan and the substantial amendment. Programs included in the substantial amendment

²¹ Puerto Rico Department of Housing CDBG-DR information as of July 10, 2019

²² Puerto Rico Department of Housing CDBG-DR information as of July 10, 2019

²³ Puerto Rico Department of Housing CDBG-DR information as of July 10, 2019

may commence upon execution of the grant agreement for the \$8.2 billion. During the second half of 2019, PRDOH will complete guidelines and standard operating procedures, continue procurement of services, begin outreach efforts, and start intake and launch processes for the following programs:

- Agency Planning Initiatives Program
- Economic Recovery Planning Program
- Home Resilience Innovation Competition Program
- Social Interest Housing Program
- Community Energy and Water Resilience Installations
- Rental Assistance Program
- Small Business Incubators and Accelerators Program
- Strategic Projects and Commercial Redevelopment Program

PRDOH also expects continued conversations and negotiations with FEMA and COR3 to ensure that the required match funds for FEMA PA and IA projects are provided, as possible, through the FEMA Coordination Program included in the first Action Plan and the substantial amendment. FEMA recently supported the implementation of a similarly designed global match approach for use of CDBG-DR funds to satisfy the non-Federal cost share for HMGP Projects. PRDOH and COR3 will work closely with FEMA staff to develop standard operating procedures for this approach, including tracking and reporting requirements in support of its implementation.

Other Federal Agency and Philanthropic Funding

Supplementary to FEMA and HUD programmatic funding, Other Federal Agency (OFA) funding remains the main source of recovery support for Puerto Rico. Federal government agencies such as the U.S. Department of Commerce Economic Development Administration (USDOC-EDA), the U.S. Department of Agriculture (USDA), and the National Aeronautics and Space Administration (NASA) host funding sources to which GPR agencies can apply for alternative recovery assistance. To date, several GPR agencies, municipal governments, universities, and NGOs have applied for \$2.4 billion worth of OFA funding to be used toward at least 48 different COAs, most of which fall in the lifeline sectors or support economic development.²⁴

In order to bring more OFA and Philanthropic funding to the island, COR3 is committed to supporting municipal governments in increasing their grant-writing capacity. COR3 is working with the AmeriCorps VISTA Corporation for National and Community Service (CNCS) to act as the intermediary between the CNCS VISTA program and GPR agencies, NGOs, and municipalities. The goal of the program is to establish grant-writing hubs across the island to increase the pool of individuals in Puerto Rico proficient in grant-writing. Concurrent to this effort is COR3's collaboration with the Environmental Protection Agency (EPA), the U.S. Department of Agriculture (USDA), and the Puerto Rico Planning Board (PRPB) to design a grant-writing and application process workshop for agencies, municipalities, NGOs, and the private sector.

In addition to utilizing OFA support, COR3 is tracking major philanthropic donations and linking certain lower-cost (less than \$1 million) COAs to other potential philanthropic sources. The Economics Recovery

²⁴ Economic Recovery Support Function data as of June 26, 2019; and Puerto Rico Planning Board data as of June 28, 2019

Support Function (ECN-RSF) identified 39 such COAs that could be fulfilled by just over \$5 million of philanthropic support. COR3 is preparing to work with the FEMA Philanthropic Hub to identify these philanthropic opportunities to better address funding gaps. In the immediate aftermath of the hurricanes, local Puerto Ricans, the Puerto Rican diaspora, and national and international non-profits created a host of new funds to support relief efforts. Grants made by private national foundations after María surpassed the total annual contributions in the history of philanthropy in Puerto Rico. A study by La Red de Fundaciones de Puerto Rico (Puerto Rico Funders Network) found that individuals and organizations of the Puerto Rican diaspora represented the largest commitment of philanthropic support. It is important to recognize the timely response from the philanthropic community. Most of those funds were allocated to local organizations doing emergency and response work on the ground which contributed to more effective use of government support as it began arriving.

Enhancing Recovery through Private Investment

The GPR has been working actively to enhance the recovery process by attracting private investment to Puerto Rico in order to generate sustainable long-term economic growth that diversifies our economy and improves our society's resilience to future disasters. The extensive damage from the hurricanes created short-term challenges, but also created a longer-term redevelopment opportunity for the island. Puerto Rico has a comprehensive redevelopment agenda, combining near-term relief with longer-term transformative redevelopment. Puerto Rico's island-wide Opportunity Zone designation creates a universe of Opportunity Zone investment opportunities far broader than those in other, much smaller zones.

On May 5, 2019 COR3, in partnership with InvestPR, the Puerto Rico Federal Affairs Administration, and the Puerto Rico Public Private Partnerships Authority held a major conference in San Juan to present the latest information on Opportunity Zones in Puerto Rico, and to showcase Puerto Rico as a unique investment destination. The conference included participation by top officials of the U.S. Department of Treasury and the U.S. Department of Housing and Urban Development who informed participants about the features and benefits of the Opportunity Zone program and how it applies to Puerto Rico.

At the conference the Governor announced that Puerto Rico is currently designing an innovative Opportunity Zone program that will attract private investment in development projects that will complement and leverage the use of federal funds to diversify Puerto Rico's economy and promote comprehensive economic recovery. Specifically, the program will leverage a portion of our recovery funding from the CDBG-DR program into multi-billion-dollar private sector investments in public-private partnerships, infrastructure, tourism, real estate and other ventures that will re-vitalize our economy and strengthen our recovery. By combining, state, federal and private investment Puerto Rico's Opportunity Zone program will stimulate growth in distressed communities, stem the migration of people away from the Island, and position Puerto Rico as a 21st Century economy.

Conclusion

Since its establishment in October of 2017, the Central Office of Recovery, Reconstruction, and Resiliency has collaborated tirelessly with local agencies, federal agencies, and the United States Congress to achieve the Governor's plan for Economic and Disaster Recovery with transparency and accountability. While we have come far in completing the emergency work with the deeply appreciated support of Congress, most

permanent work projects have yet to begin, or be obligated, 22 months after Hurricanes Irma and Maria devastated the island. The administrative and bureaucratic challenges that we face with the introduction of the National Delivery Model are currently among the most severe challenges we will have to navigate to reach full recovery. In fact, highlighting FEMA's own public data, only 1% of all Project Worksheets submitted to FEMA since Hurricane Harvey struck Texas have been for work in Puerto Rico. We continue to work with FEMA as it implements this new program on the island to understand how FEMA will adjust the program to account for the current FEMA-State agreement. Puerto Rico remains deeply grateful for the continued support of the Federal Government throughout this process. We look forward to continuing to update Congress on the status of our recovery, both through this report as called for in the Bipartisan Budget Act of 2018 and through continued participation in hearings and ongoing communication. It is our hope that by the next report, the current hurdles that are impeding the execution of permanent recovery work have been cleared, and that we may have even more progress to share.