



Strategic Funds Management Implementation Guide for the Hazard Mitigation Grant Program

Purpose

The purpose of this guide is to establish the process for implementing Strategic Funds Management (SFM) in the Hazard Mitigation Grant Program (HMGP). SFM is the Federal Emergency Management Agency’s (FEMA) process for obligating HMGP funding based on a subgrantee’s schedule to execute the eligible work. It is designed to provide incremental funding for eligible activities when funds are required.

SFM enhances FEMA’s management of the Disaster Relief Fund (DRF) consistent with congressional appropriations and the [Budget Control Act of 2011](#)¹. SFM helps avoid project funding restrictions that may occur under Immediate Needs Funding (INF). INF is implemented to preserve funding in the DRF for immediate needs. SFM does not change the project eligibility process. It is a new method of approving work and providing funds as they are needed.

Scope and Audience

This guide applies to all pending and future HMGP projects, with a federal share of \$1 million or greater, declared in all major disasters.

Background

Historically, FEMA has obligated full HMGP project funding as soon as the project is prepared, reviewed and approved, even when the subgrantee does not expect to expend the funds for an extended period. This method has resulted in a large amount of unexpended obligations every year, reducing funds available in the DRF and on a few occasions, implementation of DRF funding restrictions under INF. FEMA provides monthly status reports on the DRF to the Office of Management and Budget (OMB) and to Congress.

SFM Implementation

Step 1: Evaluating HMGP projects for SFM potential

Subgrantees, grantees and FEMA staff must evaluate all pending and future HMGP projects over \$1 million federal share to determine whether the project is a candidate for incremental obligation. This will allow FEMA to approve and obligate only the funds that will be drawn down by the grantee within a reasonable period.

For HMGP projects currently under FEMA review:

- FEMA evaluates the project for SFM potential. If a project is appropriate for SFM, FEMA and the grantee must coordinate to revise the project to support SFM by adjusting budgets and schedules accordingly. The grantee must ensure that the budget reflects line items that support incremental funding based on the new proposed work schedule.

For already developed HMGP projects not yet submitted to FEMA:

- The grantee evaluates the project for SFM potential. If a project is appropriate for SFM, the grantee and subgrantee coordinate to revise the project to support SFM.

¹ <http://www.gpo.gov/fdsys/pkg/BILLS-112s365enr/pdf/BILLS-112s365enr.pdf>

For new and not yet developed HMGP projects:

- The subgrantee evaluates the project for SFM potential. If a project is appropriate for SFM, subgrantees should prepare project budgets so that line items for logical segments of work can be selected for each obligation. The work schedule should include the timeframe in which subsequent obligations are anticipated.

FEMA recognizes that certain projects may not be suitable for incremental obligations.

The following project types are not required to use SFM:

- Projects with a federal share of less than \$1 million
- Projects that require an approved source of funding (full obligation) by state procurement process in order for the applicant to enter procurement and contracting
- Projects for which most of the funds will be disbursed within 6 months

If SFM is not used on a project with a federal share of \$1 million or greater, the grantee must provide proper justification to FEMA.

Step 2: Determining Eligibility and Tracking

- FEMA will review the project application for general program eligibility requirements. Once the project is determined to be eligible for HMGP funding, FEMA and the grantee will work together to schedule obligations based on the subgrantee's work schedule and funding will be made available when the grantee is ready to execute an HMGP subgrant or components of the subgrant.
- FEMA, the grantee and subgrantee must also review the schedule, budget and scope to ensure that the proposed schedule is compatible with procurement requirements as defined in [44 Code of Federal Regulations - Part 13.36²](#).
- FEMA and the grantee must capture the proposed obligation schedule in the National Emergency Management Information System (NEMIS).

Step 3: Large Project Notification Overview and Initial Obligation

The Large Project Notification (LPN) is the process by which FEMA notifies Congress of any obligations of \$1,000,000 federal share or greater prior to awarding grant funds. If any of the SFM award increments will be \$1,000,000 federal share or greater, then the LPN process is required. The LPN process must be completed prior to the obligation and approval of the initial SFM award increment.

FEMA's Office of Chief Financial Officer (OCFO) reviews all projects submitted for LPN and follows up with FEMA Headquarters (HQ) Program Office to ensure that SFM has been considered. The OCFO also reviews monthly spend plans and has continued visibility on scheduled obligations, including SFM award increments.

Initial Obligation

- FEMA's Regional or Field Program Office is responsible for providing all information needed to process an LPN. A schedule of proposed obligations dates and amounts must be provided to FEMA HQ Program Office and the OCFO for all projects using SFM.
- FEMA's HQ Program Office reviews all LPNs to verify completeness and SFM consideration, and notifies the OCFO.
- The OCFO is responsible for completing all LPN coordination with the Office of Management Budget (OMB) and Department of Homeland Security (DHS).
- The OCFO updates the FEMA LPN SharePoint website when congressional notification is complete by adding the date the funds are available to obligate.

² <http://www.gpo.gov/fdsys/pkg/CFR-2002-title44-vol1/content-detail.html>

- The FEMA HQ Program Office will notify the FEMA Regional or Field Program Office of the date that the LPN can be awarded.
- The region may proceed to obligate the first SFM award increment for the project. Subsequent eligible line items remain unapproved and unfunded until the established project milestones are met.

Step 4: Managing Subsequent Obligations through Quarterly Reporting

FEMA verifies the need for subsequent obligations through quarterly reporting. Subsequent obligations are based on project progress and milestones as reflected on the quarterly reports. If a grantee is not on target for scheduled drawdowns or project completion requirements, FEMA works with the grantee to revise the award dates and provide updates to the OCFO. For any SFM award increments that are \$1,000,000 federal share or greater, the congressional notification must be completed prior to approval and award.

Subsequent SFM Obligations under the same LPN

- The grantee notifies FEMA in writing (e-mail or other correspondence) when it requires funding to meet the project schedule. Grantees should request project funding a minimum of 30 days before the projected date. The 30 day minimum allows FEMA and the grantee time to coordinate the spend plan and SFM schedule adjustments.
- FEMA's Regional Office will send an e-mail to the FEMA HQ Program Office and the LPN mailbox that a subsequent SFM award increment is being requested by the grantee.
- The OCFO will coordinate with DHS and update the FEMA LPN SharePoint website when congressional notification is complete.
- The FEMA HQ Program Office will notify the FEMA Regional or Field Program Office of the date that the SFM award increment can be obligated.
- The regional office may proceed to approve the activity and obligate funds to the grantee for subsequent SFM award increment.
- Additional obligations are processed through NEMIS amendments pursuant to the normal course of project implementation and subsequent funding.

Step 5: Post-Award Implementation

The standard Grants Management and Program Management requirements apply to the project upon obligation.

Step 6: Reporting and Process Controls

SFM project data are available from NEMIS and the Enterprise Data Warehouse. FEMA Regions are encouraged to share SFM reports with grantees for ongoing coordination. The FEMA HQ Program Office and OCFO are responsible for review, consistency and standardization of SFM procedures.

Appeals

In accordance with 44 CFR §206.440, FEMA's determination on approving the eligible scope of work (SOW) is an Agency action subject to appeal. The timing and execution of the obligation action by FEMA using SFM to manage DRF funds are not subject to appeal.

Responsible Office

Risk Reduction Division, Federal Insurance and Mitigation Administration

Review Date

This document does not automatically expire but will be reviewed three years from the date of issuance, or as needed.

Attachments

1. SFM Acquisition Project Narration Example (Part 1 of 2)
2. SFM Acquisition Project Worksheet Example (Part 2 of 2)
3. Elevation project budget and projected SFM Schedule Example
4. Advance Assistance budget and projected SFM Schedule Example
5. *SFM Schedule Worksheet (Blank)

*This worksheet is optional and not required for SFM projects. The worksheet may assist in tracking incremental obligations.

Attachment One - SFM Acquisition Project Narration Example (Part 1 of 2)

Main County, through the state, has developed a HMGP application to acquire and remove 50 residential structures from the Special Flood Hazard Area. The project's total cost is \$6,332,850.

The project has been divided into five increments based on the subgrantee's work schedule and projected obligation dates. Each line item will be itemized according to activity. These activities will likely be performed by one group or under one Request for Procurement. Funds associated with the activities will be available immediately upon approval.

Based on the work schedule, the subgrantee estimates that 10 to 15 properties will be acquired at each consecutive quarter. The respective line items will be selected for obligation based on work schedule and actual progress of the project.

Attachment Two - SFM Acquisition Project Worksheet Example (Part 2 of 2)

 FEMA		Hazard Mitigation Grant Program (HMGP) Strategic Funds Management (SFM) Summary Sheet		
Grantee	State			
Subgrantee	Main County			
Disaster	1234	Project Number	1234.05	
Project Type	Acquisition (50 total properties)			
Date	01/01/2014			
FEMA has determined that this project is eligible for Strategic Funds Management. The funding timeline for this project is shown below. This timeline is an estimate and changes to the funding schedule may become necessary. The grantee should notify FEMA if there are potential changes to the funding timeline. FEMA requires a minimum of 30 days advance notice to request additional funds through an e-mail or written correspondence.				
Projected Obligation Schedule				
Projected Obligation Dates	Description of Work	HMGP Federal Funds	Non-Federal Funds	Total Funds
01/01/2014	Property Management, Title Search, Appraisals, Legal, and Administrative work (50 total properties)	\$93,750	\$31,250	\$125,000
04/01/2014	Acquisition, Demolition, Closing, and Utilities (10 of 50 properties)	\$1,034,625	\$344,875	\$1,379,500
07/01/2014	Acquisition, Demolition, Closing, and Utilities (10 of 50 properties)	\$517,387.50	\$172,462.50	\$689,850
10/01/2014	Acquisition, Demolition, Closing, and Utilities (15 of 50 properties)	\$1,551,937.50	\$517,312.50	\$2,069,250
01/01/2015	Acquisition, Demolition, Closing, and Utilities (15 of 50 properties)	\$1,551,937.50	\$517,312.50	\$2,069,250
Project Totals		\$4,749,638	\$1,583,212	\$6,332,850

Attachment Three - Elevation Project Budget and Projected SFM Schedule Example

 FEMA		Hazard Mitigation Grant Program (HMGP) Strategic Funds Management (SFM) Summary Sheet		
Grantee	State			
Subgrantee	State County			
Disaster	1234	Project Number	1234.06	
Project Type	Elevation (45 total properties)			
Date	01/01/2014			
FEMA has determined that this project is eligible for Strategic Funds Management. The funding timeline for this project is shown below. This timeline is an estimate and changes to the funding schedule may become necessary. The grantee should notify FEMA if there are potential changes to the funding timeline. FEMA requires a minimum of 30 days advance notice to request additional funds through an e-mail or written correspondence.				
Projected Obligation Schedule				
Projected Obligation Dates	Description of Work	HMGP Federal Funds	Non-Federal Funds	Total Funds
01/01/2014	Project Management Fees, Permits, Planning, Design, Site Prep (45 total properties)	\$610,071	\$203,357	\$813,428
04/01/2014	Elevation, System Extension, Stabilization, Displacement Cost (15 of 45 properties)	\$1,206,378.75	\$402,126.25	\$1,608,505
07/01/2014	Elevation, System Extension, Stabilization, Displacement Cost (13 of 45 properties)	\$773,973.75	\$257,991.25	\$1,031,965
10/01/2014	Elevation, System Extension, Stabilization, Displacement Cost (15 of 45 properties)	\$1,707,993.75	\$569,331.25	\$2,277,325
10/01/2014 12/01/2014	Elevation, System Extension, Stabilization, Displacement Cost (2 of 45 properties)	\$580,479.75	\$193,493.25	\$773,973
Project Totals		\$4,878,897	\$1,626,299	\$6,505,196

Scenario: These two properties were not ready to obligate on schedule due to the need for additional engineering reviews.

"FEMA's mission is to support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards."

Attachment Four - Advance Assistance Budget and Projected SFM Schedule Example

 FEMA Hazard Mitigation Grant Program (HMGP) Strategic Funds Management (SFM) Summary Sheet				
Grantee	State			
Subgrantee	State County			
Disaster	1234	Project Number	1234.01	
Project Type	Advance Assistance			
Date	01/01/2014			
<p>FEMA has determined that this project is eligible for Strategic Funds Management. The funding timeline for this project is shown below. This timeline is an estimate and changes to the funding schedule may become necessary. The grantee should notify FEMA if there are potential changes to the funding timeline. FEMA requires a minimum of 30 days advance notice to request additional funds through an e-mail or written correspondence.</p>				
Projected Obligation Schedule				
Projected Obligation Dates	Description of Work	HMGP Federal Funds	Non-Federal Funds	Total Funds
1/1/2014	Collect data to prioritize flood reduction actions (elevations/drainage)	\$740,000	\$100,000*	\$840,000
1/1/2014	Project management (contractor) to identify and capture cost share sources and other leverage	\$440,000	\$0	\$440,000
4/1/2014	Review costs and consider environmental alternatives	\$0	\$400,000	\$400,000
7/1/2014	Develop individual projects	\$320,000	\$0	\$320,000
<i>*Local university donated services to collect flood data</i>				
Project Totals		\$1,500,000	\$500,000	\$2,000,000

Attachment Five - SFM Schedule Worksheet (Blank)

 FEMA Hazard Mitigation Grant Program (HMGP) Strategic Funds Management (SFM) Summary Sheet 				
Grantee				
Subgrantee				
Disaster		Project Number		
Project Type				
Date				
FEMA has determined that this project is eligible for Strategic Funds Management. The funding timeline for this project is shown below. This timeline is an estimate and changes to the funding schedule may become necessary. The grantee should notify FEMA if there are potential changes to the funding timeline. FEMA requires a minimum of 30 days advance notice to request additional funds through an e-mail or written correspondence.				
Projected Obligation Schedule				
Projected Obligation Dates	Description of Work	HMGP Federal Funds	Non-Federal Funds	Total Funds
Project Totals				