



# Public Assistance Management Costs (Interim)

## FEMA Recovery Policy FP 104-11-2

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### **BACKGROUND**

Section 324 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as Amended (Stafford Act) authorizes FEMA to provide contributions under this Act for management costs incurred in the administration of the Public Assistance (PA) Program. The Disaster Recovery Reform Act of 2018 (DRRA) amends Section 324 of the Stafford Act to define management costs to include “any indirect cost, any direct administrative cost, and any other administrative expense associated with a specific project under a major disaster, emergency, or disaster preparedness or mitigation activation or measure.” Additionally, the DRRA establishes the following management cost rates: “A grantee [Recipient] under [Stafford Act] sections 403, 406, 407, and 502 may be reimbursed not more than 12 percent of the total award amount under such sections, of which not more than 7 percent may be used by the grantee and 5 percent by the subgrantee [Subrecipient] for such costs.”

As a result of the amendment to Section 324, Title 44 Code of Federal Regulations (CFR) Part 207 is no longer effective. This interim policy implements the DRRA amendments to Section 324 and thereby supersedes existing regulations and policies related to Management Costs and Direct Administrative Costs (DAC), including Part 207, Chapters 2.V.N and 3.V.B of the *Public Assistance Program and Policy Guide* (PAPPG) and the *Public Assistance Alternative Procedures for Direct Administrative Costs* (DAC Pilot), and applies to all major disasters and emergencies declared on or after August 1, 2017.

### **PURPOSE**

The purpose of this interim policy is to define the framework and requirements to ensure appropriate and consistent implementation of Stafford Act Section 324 Management Costs, as amended by DRRA.

### **PRINCIPLES**

Implement the authorities provided under Stafford Act Section 324 to provide management costs in a manner that simplifies the delivery of assistance and reduces the administrative burden on FEMA, Recipients, and Subrecipients related to tracking and requesting reimbursement.



## DEFINITIONS

**Management costs:** Any of the following when associated with the PA portion of a major disaster or emergency:

- Indirect cost
- Direct administrative cost
- Other administrative expense associated with a specific project

**Total award amount:** Actual eligible PA project costs, including the non-Federal share, after insurance and any other reductions. Category B Donated Resource Project Worksheets (PW) are not included in the 7 or 5 percent calculations as they are not project awards.

## REQUIREMENTS

### A. APPLICABILITY

**Outcome:** Establish the applicability of this interim policy and the options for retroactive implementation.

1. For incidents declared on or after October 5, 2018, management costs will be processed only under the DRRA authorities and this interim policy.
2. For incidents declared from August 1, 2017, through October 4, 2018, Recipients and Subrecipients that, as of the date of this interim policy, have opted:
  - a. To utilize the DAC Pilot (regardless of whether or not DAC has been obligated), may either continue utilizing the DAC Pilot or receive management cost contributions pursuant to this interim policy.
  - b. Not to utilize the DAC Pilot, but have DAC funding obligated, may either continue receiving DAC in accordance with the PAPPG or receive management cost contributions pursuant to this interim policy.
  - c. Not to utilize the DAC Pilot and have no DAC funding obligated, will receive management cost contributions pursuant to this interim policy.
3. For Recipients and Subrecipients that fall under A.2.a or A.2.b:
  - a. The selection made will apply to all of the respective Recipient's or Subrecipient's projects for the respective major disaster or emergency, regardless of a project's obligation status and regardless of whether the project is open or closed.
  - b. FEMA must receive written notification on which option is selected within 90 calendar days of the date of this interim policy.



- c. Subrecipients that do not notify FEMA of the selected option within the 90-day deadline will continue receiving DAC according to the option that was being applied prior to issuance of this interim policy.
- d. Recipients that do not notify FEMA of the selected option within the 90-day deadline will continue receiving DAC according to the option that was being applied prior to issuance of this interim policy and will continue receiving Section 324 Management Costs based on the provisions in 44 CFR Part 207.

## B. MANAGEMENT COST CONTRIBUTION

**Outcome:** Provide PA management cost contributions to both Recipients and Subrecipients up to a percentage of the total award amount.

1. All management costs will be obligated via Category Z PWs and funded at 100 percent Federal share. This includes management costs for all projects (e.g., small projects, large projects, and any projects completed under Stafford Act Section 428, *Public Assistance Program Alternative Procedures*).
2. For the Recipient:
  - a. FEMA provides contributions for management costs based on actual costs incurred up to 7 percent of the total award amount for the disaster or emergency, excluding Subrecipient management costs.
  - b. The 7 percent rate is inclusive of management costs expended by the Recipient for its own projects. The Recipient does not receive an additional 5 percent for management costs on its own projects.
  - c. If a State and Tribal Government both receive a presidential declaration for the same incident within the same State, or if a Tribal Government opts to be a Recipient under the State declaration, then both are Recipients. As such, both are eligible for the 7 percent.
  - d. If a Recipient requests management cost funding prior to Subrecipient project obligations, FEMA may make an initial Category Z obligation for 7 percent of the state minimum per capita indicator<sup>1</sup>. Once project obligations exceed the minimum per capita indicator, FEMA may process additional versions to the Category Z PW for 7 percent of the total project amount obligated on a quarterly basis as needed. These obligations are subject to Strategic Funds Management.<sup>2</sup> FEMA may require a plan describing how the Recipient plans to use the funds.

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<sup>1</sup> Under the Tribal Declarations Pilot Guidance, FEMA does not use a per capita indicator for Tribes. As such, FEMA will work with tribal Recipients to determine the appropriate amount for an initial obligation, when necessary.

<sup>2</sup> FEMA's *Strategic Funds Management – Implementation Procedures for the Public Assistance Program* provides detailed information on this process and is located at [www.fema.gov/media-library/assets/documents/30301](http://www.fema.gov/media-library/assets/documents/30301).



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- e. After FEMA has received the Recipient's certification of all projects for a declaration in accordance with 44 CFR § 206.205 and processed all final actual cost project claims, and upon receipt of the Recipient's final actual management cost claim, FEMA will process the final Category Z obligation or deobligation based on actual reasonable costs up to the maximum 7 percent.

### 3. For Subrecipients:

- a. FEMA provides contributions for management costs based on actual costs incurred up to 5 percent of the Subrecipient's total award amount.
- b. Once a Subrecipient has project obligations, FEMA may provide a Category Z obligation for 5 percent of the total project amount obligated. FEMA may process additional versions to the Category Z PW for 5 percent of that Subrecipient's total project obligations on a quarterly basis as needed. These obligations are subject to Strategic Funds Management. FEMA may require a plan describing how the Subrecipient plans to use the funds.
- c. After FEMA has received and processed all of a Subrecipient's final actual cost project claims and upon receipt of the Subrecipient's final actual management cost claim, FEMA will process the final Category Z obligation or deobligation based on actual reasonable costs up to the maximum 5 percent.

## C. USE OF MANAGEMENT COST FUNDS

**Outcome:** To establish activities eligible for management cost contributions and the deadlines to use the contributions.

1. Activities eligible as management costs include those related to developing eligible PA projects and receiving reimbursement. These activities may include, but are not limited to:
  - a. Preliminary Damage Assessments
  - b. Meetings regarding the PA Program or overall PA damage claim
  - c. Organizing PA damage sites into logical groups
  - d. Preparing correspondence
  - e. Site inspections
  - f. Travel expenses
  - g. Developing the detailed site-specific damage description
  - h. Evaluating Section 406 hazard mitigation measures
  - i. Preparing Small and Large Projects
  - j. Reviewing PWs
  - k. Collecting copying, filing, or submitting documents to support a claim
  - l. Requesting disbursement of PA funds
  - m. Training



2. Activities related to ineligible projects are not eligible to be claimed under the management cost contribution.
3. Excess management cost funding may not be retained.
4. The Recipient may claim management costs incurred up to whichever of the following occurs first:
  - a. 180 days after work is completed on the last non-management cost PA project for the declaration; or
  - b. 180 days after the latest performance period of a non-management cost PA project for the declaration; or
  - c. Two years from the date of an Emergency Declaration; or
  - d. Eight years from the date of a Major Disaster Declaration.
5. The Subrecipient may claim management costs incurred up to whichever of the following occurs first:
  - a. 180 days after the Subrecipient completes its last non-management cost PA project; or
  - b. 180 days after the latest performance period of the Subrecipient's non-management cost PA project; or
  - c. Two years from the date of an Emergency Declaration; or
  - d. Eight years from the date of the Major Disaster Declaration.

## D. DOCUMENTATION REQUIREMENTS

**Outcome:** To define documentation that Recipients and Subrecipients must submit to substantiate the eligibility of management cost claims.

1. Actual cost documentation must include information necessary to demonstrate eligibility of costs and activities claimed as management costs, including but not limited to payroll data, procurement procedures, contracts, invoices, and an explanation of the activities performed.
2. Documentation must also include information to demonstrate that costs are reasonable. FEMA's established procedures for evaluating reasonable costs are described in FEMA's *Public Assistance Reasonable Cost Evaluation Job Aid*.<sup>3</sup> FEMA will be providing additional

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<sup>3</sup> FEMA's *Public Assistance Reasonable Cost Evaluation Job Aid* is located at [www.fema.gov/media-library/assets/documents/90743](http://www.fema.gov/media-library/assets/documents/90743).



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policy on documenting and evaluating reasonableness as it specifically relates to management costs.

3. FEMA makes the final decision regarding all eligibility determinations under the PA Program including whether costs are reasonable.

A handwritten signature in blue ink, appearing to read "Keith Turi", written over a yellow highlight.

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*Keith Turi*  
*Assistant Administrator*  
*Recovery Directorate*

11/14/2018  
Date



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## **ADDITIONAL INFORMATION**

### **REVIEW CYCLE**

This is an interim policy. It may be followed by additional implementation guidance. FEMA will evaluate this interim policy as it is implemented and will update management costs in the next version of the PAPPG.

### **AUTHORITIES**

Section 324 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. § 5165b, as amended.

### **QUESTIONS**

Direct questions to FEMA-PA-executive-office @*fema.dhs.gov*.