

## APPENDIX A

# Sources of FEMA Funding

Sources of FEMA funding are available to help homeowners implement flood retrofitting projects. Following are details, including eligibility information, about these funding sources.

## A.1 Increased Cost of Compliance Coverage (ICC)

The National Flood Insurance Program (NFIP) includes Increased Cost of Compliance coverage for all new and renewed Standard Flood Insurance Policies. This coverage helps policyholders cover the cost of meeting certain building requirements associated with repairing or rebuilding their home or small business following a flood. An ICC claim may be paid if the home or small business is either:

- **Substantially damaged:** A building is considered substantially damaged by flood if the cost of repairing the flood damage equals or exceeds 50 percent of the building's pre-damage market value.
- **A repetitive loss property:** Under ICC, a building is considered to be a repetitive loss structure when it has had at least two losses over a 10-year period where the cost of repair, on average, equaled or exceeded 25 percent of the building's market value at the time of each flood.

Policyholders in Special Flood Hazard Areas (SFHAs) are eligible to receive up to \$30,000 (as of May 2011) to bring their home or small business into compliance with local floodplain and building code requirements. The ICC coverage can be used for elevation, relocation, or demolition projects for residential and non-residential buildings. The coverage can also be used for floodproofing of non-residential buildings. ICC claims are adjusted separately from the flood damage claim filed under the Standard Flood Insurance Policy.

## A.2 FEMA Hazard Mitigation Assistance Programs

FEMA's Hazard Mitigation Assistance (HMA) Program administers several programs that provide grant funding for hazard mitigation projects that reduce or eliminate long-term risk to people and property from natural hazards and their effects. These programs are authorized under the Robert T. Stafford Disaster Relief and Emergency Assistance Act or the

**NOTE**

More detailed information regarding FEMA Hazard Mitigation Assistance Programs can be found at <http://www.fema.gov/government/grant/hma/index.shtm>.

National Flood Insurance Act, and as such all programs are subject to changes in statutory requirements and amounts of authorized assistance. All mitigation projects must be cost effective and technically feasible, and meet Environmental Planning and Historic Preservation requirements in accordance with HMA Program requirements. These programs comply with local, State, or national building codes, standards, and regulations. States, Territories, federally recognized Indian Tribal governments, and communities are eligible and encouraged to take advantage of funding provided by the following HMA Programs in both the pre- and post-disaster timeframes:

- **Hazard Mitigation Grant Program:** The Hazard Mitigation Grant Program (HMGP) provides grants to implement long-term hazard mitigation measures *after* a major disaster declaration in a given State. The purpose of HMGP is to reduce the loss of life and property due to natural disasters and to enable mitigation measures to be implemented during recovery from a disaster.
- **Pre-Disaster Mitigation Program:** The Pre-Disaster Mitigation (PDM) Program provides nationally competitive grants for hazard mitigation planning and implementing mitigation projects *before* a disaster event. Funding these plans and projects reduces overall risks to the population and structures, as well as reliance on funding from actual disaster declarations to rebuild after disasters.
- **Flood Mitigation Assistance Program:** The Flood Mitigation Assistance (FMA) Program provides grants for certain flood mitigation projects to reduce or eliminate flood risk to buildings, manufactured homes, and other structures that are currently NFIP insured.
- **Repetitive Flood Claim Program:** The Repetitive Flood Claim (RFC) Program provides grants for flood mitigation projects to reduce flood damages to individual properties that have had one or more NFIP claims.
- **Severe Repetitive Loss Program:** The Severe Repetitive Loss (SRL) Program provides grants for flood mitigation projects that reduce or eliminate long-term flood risk for residential properties that have experienced severe repetitive NFIP losses. Severe repetitive loss is defined as either:
  - a. at least four NFIP claim payments (including building and contents) over \$5,000 each, and the cumulative amount of such claims payments exceeds \$20,000; or
  - b. at least two separate claims payments (building payments only) have been made with the cumulative amount of the building portion of such claims exceeding the market value of the building.

Table A-1 summarizes eligible residential flood mitigation activities that may be funded by the HMA Programs. Note that dry floodproofing of non-historic residential structures, wet floodproofing, floodwalls, and levees are not eligible projects under HMA.

Figure A-1 shows the process for FEMA grant applications and approvals. It is divided into five stages, starting with mitigation planning and ending with project closeout. The process requires coordination among FEMA, the State, and the local government. This is represented by the three rings in the figure.

Regardless of which funds (e.g., HMGP, PDM, FMA, RFC, or SRL) will be used, the FEMA grants cycle process includes the following five stages.

Table A-1. Eligible Residential Flood Mitigation Activities by Program

Eligible Activities	HMGP	PDM	FMA	RFC	SRL
Property Acquisition and Structure Demolition	■	■	■	■	■
Property Acquisition and Structure Relocation	■	■	■	■	■
Structure Elevation	■	■	■	■	■
Mitigation Reconstruction					■
Dry Floodproofing of Historic Residential Structures	■	■	■	■	■
Dry Floodproofing of Non-Residential Structures	■	■	■	■	
Structural Retrofitting of Existing Buildings	■	■			

SOURCE: HAZARD MITIGATION ASSISTANCE UNIFIED GUIDANCE: HAZARD MITIGATION GRANT PROGRAM, PRE-DISASTER MITIGATION PROGRAM, FLOOD MITIGATION ASSISTANCE PROGRAM, REPETITIVE FLOOD CLAIMS PROGRAM, SEVERE REPETITIVE LOSS PROGRAM (FEMA, 2010)

Note: HMGP and PDM are authorized under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. FMA, PDM, and RFC are authorized under the National Flood Insurance Act.

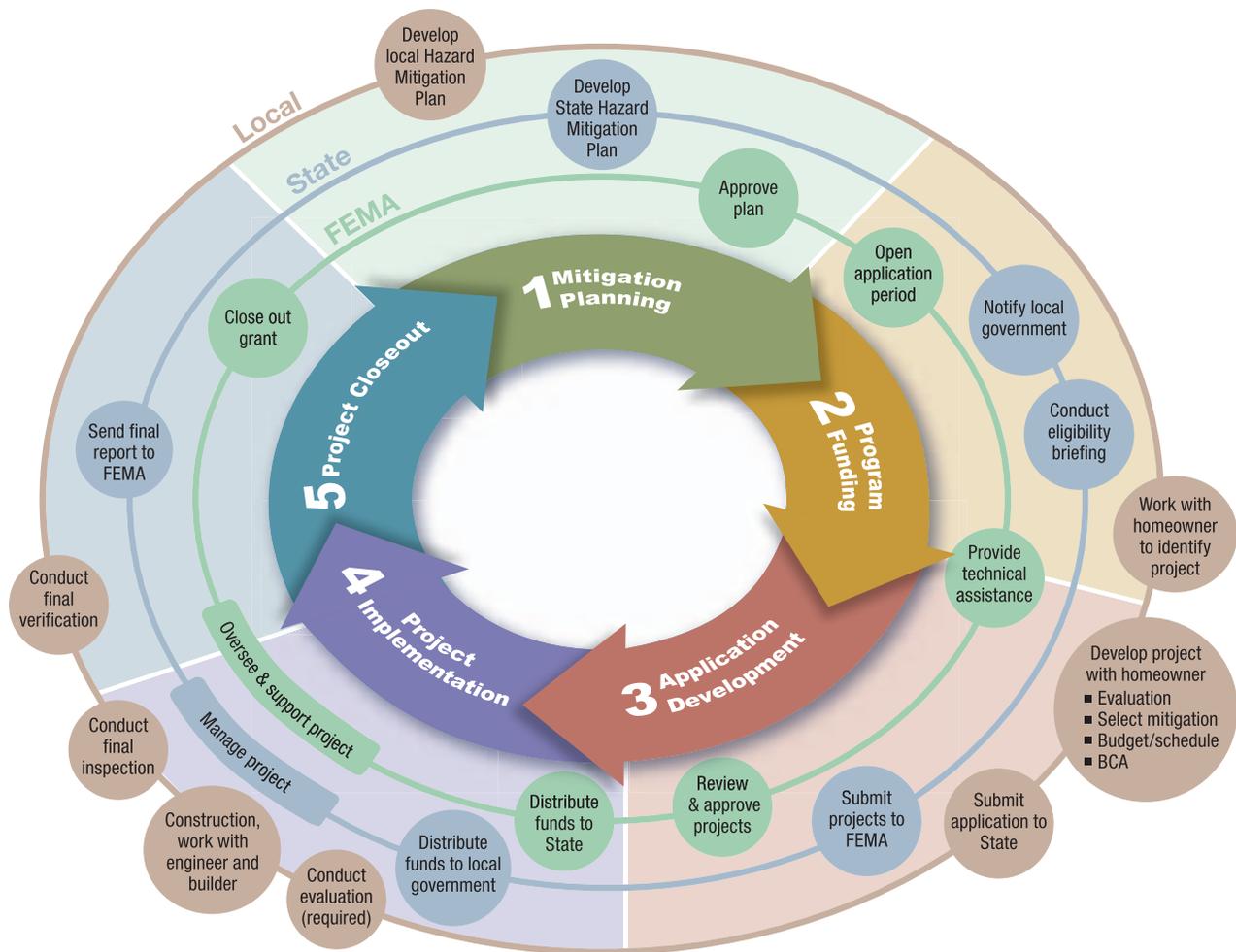


Figure A-1. HMA grants cycle process showing roles and responsibilities of each stakeholder

### A.2.1 Stage 1. Mitigation Planning

A State or Tribal Multi-Hazard Mitigation Plan is a prerequisite for all project grants. The State or Tribal Multi-Hazard Mitigation Plan lays out the process for identifying the hazard risks of a community and the actions that will help reduce those risks. Residential flood mitigation projects that are proposed for FEMA funding under these programs must be consistent with the State’s or Tribe’s mitigation plan. The mitigation planning process requires public participation and identification of measures to reduce risks and is, therefore, a good opportunity for homeowners to address concerns about flood hazards. More information is available on the FEMA website at <http://www.fema.gov/plan/mitplanning>.

### A.2.2 Stage 2. Program Funding

HMA Programs enable hazard mitigation measures to be implemented before, during, and after disasters. Funding depends on the availability of appropriation funding or is based on disaster recovery expenditures, as well as any directive or restriction made with respect to such funds. HMGP funding depends on Federal assistance provided for disaster recovery following a Presidential disaster declaration in a State; PDM and SRL funding may be authorized annually by Congress; and FMA, RFC, and SRL are funded through the National Flood Insurance Fund (NFIF). Once the application period is open, the State notifies the local governments of the availability of funds and relays information on the application process, project requirements, and eligibility criteria for the local government. Table A-2 shows the cost-share requirements for each aforementioned program. Homeowners should work with their local government to express their interest in participating in a residential flood mitigation project; the local government can then submit a subapplication to the State and request HMA funding. In general, the community applying for the grant must be participating in the NFIP. Table A-3 shows the eligible subapplicants for each aforementioned program.

Table A-2. Cost Share Requirements

Program	Mitigation Activity Grant (Percent of Federal/Non-Federal Share)*
<b>HMGP</b>	75/25
<b>PDM</b>	75/25
<b>PDM – subgrantee is small impoverished community</b>	90/10
<b>PDM – Tribal grantee is small impoverished community</b>	90/10
<b>FMA</b>	75/25
<b>FMA – severe repetitive loss property with Repetitive Loss Strategy</b>	90/10
<b>RFC</b>	100/0
<b>SRL</b>	75/25
<b>SRL – with Repetitive Loss Strategy</b>	90/10

\* These ratios were applicable as of February 2010. Please refer to the current fiscal year’s *Hazard Mitigation Assistance Unified Guidance: Hazard Mitigation Grant Program, Pre-Disaster Mitigation Program, Flood Mitigation Assistance Program, Repetitive Flood Claims Program, Severe Repetitive Loss Program* (also called *HMA Unified Guidance*) for relevant ratios when referencing this table. The current fiscal year’s *HMA Unified Guidance* can be found at <http://www.fema.gov/library/viewRecord.do?id=4225>.

Table A-3. Eligible Subapplicants

Subapplicant	HMGP	PDM	FMA	RFC	SRL
State agencies	yes	yes	yes	yes	yes
Tribal governments	yes	yes	yes	yes	yes
Local governments/communities	yes	yes	yes	yes	yes
Private non-profit organizations	yes	no	no	no	no

### A.2.3 Stage 3. Application Development

Individuals and businesses are not eligible to apply for HMA funds, so individual homeowners must work with their local governments to develop a complete project subapplication on their behalf. Local governments may submit a retrofit project for a single home as an individual subapplication or combine it with other homes as part of an aggregate subapplication (subject to program restrictions). Aggregating benefit and cost values is allowed for multiple structures if they are all vulnerable to damage as a result of similar hazard conditions. Users of this document should refer to the latest *HMA Unified Guidance* for information on aggregating projects in an application.

Key elements for residential flood mitigation applications include:

- identify the property to be mitigated;
- identify key project personnel and roles, such as design professional and contractor;
- select an eligible project (see Table A-1);
- have a professional inspect the structure to verify that the project can be implemented (if possible; if not done at this stage, it must be done during Stage 4, Project Implementation);
- develop a project cost estimate and work schedule;
- conduct a benefit-cost analysis (BCA) using FEMA's BCA software (refer to Appendix B for additional information); if the benefit-cost ratio (BCR) is 1.0 or more, the project is cost-effective. FEMA requires a BCR of 1.0 or greater for funding; and
- ensure that properties located in designated SFHAs will obtain flood insurance and that this condition will be recorded on the property deed.

The local government submits the subapplication to the State. The State then selects projects based on its priorities and submits applications to FEMA for review. FEMA reviews the projects for eligibility, completeness, engineering feasibility, cost-effectiveness, cost reasonableness, and environmental and historic preservation documentation. The review process also confirms that all hazard mitigation activities adhere to all relevant statutes, regulations, and program requirements, including other applicable Federal, State, Indian Tribal, and local laws, implementing regulations, and executive orders, which are detailed in the *HMA Unified Guidance*. Once FEMA approves and awards the project, the grant funds are distributed by the State to the local governments, who will distribute it to individuals, as appropriate. No construction activities should begin until after the money has been awarded because HMA funding is not available for activities initiated or completed prior to award or final approval.

### **A.2.4 Stage 4. Project Implementation**

Once the State has awarded the funds to the local government, the next stage in the process is project implementation. HMA projects have to be completed within a specific amount of time called a period of performance, which is usually not more than 36 months. The homeowner or local government should secure the professional services of a contractor or an engineer at this stage to develop a detailed construction plan. If the scope of work or cost estimate changes as a result, consult the *HMA Unified Guidance* for direction on how to revise the scope of work prior to construction.

During the period of performance, the local government must maintain a record of work and expenditures for the quarterly reports that the State submits to FEMA. The basic steps for implementing an HMA mitigation flood retrofit project are:

1. Have a professional inspect the structure to verify that the project can be implemented (unless already completed during Stage 3, Application Development);
2. Finalize selection of viable project (unless already completed during Stage 3, Application Development);
3. Secure professional services to complete the approved project;
4. Complete installation of the approved hazard mitigation; and
5. Inspect the completed hazard mitigation elements and verify other program requirements.

### **A.2.5 Stage 5. Project Closeout**

Once the project has been completed, a professional should conduct a final verification to ensure that the project was implemented as intended. This will allow project closeout documentation and confirm that the building provides the desired level of protection. In addition, the State or the FEMA Region will verify that the work was completed in accordance with the approved scope of work and closeout procedures. If the house is located in an SFHA, the local government must provide documentation of flood insurance for the structure and a copy of the recorded deed amendment. The *HMA Unified Guidance* should be referenced to ensure all closeout requirements are addressed.

## A.3 Resources

Links to FEMA Funding Resources	
Increased Cost of Compliance (includes a link to FEMA 301, <i>NFIP Increased Cost Compliance [ICC] Coverage: Guidance for State and Local Officials</i> ) (FEMA, 2003)	<a href="http://www.fema.gov/plan/prevent/floodplain/ICC.shtm">http://www.fema.gov/plan/prevent/floodplain/ICC.shtm</a> <a href="http://www.fema.gov/library/viewRecord.do?fromSearch=fromsearch&amp;id=1532">http://www.fema.gov/library/viewRecord.do?fromSearch=fromsearch&amp;id=1532</a>
HMA Overview (includes link to most recent <i>HMA Unified Guidance</i> )	<a href="http://www.fema.gov/government/grant/hma/index.shtm">http://www.fema.gov/government/grant/hma/index.shtm</a>
HMA Policies	<a href="http://www.fema.gov/government/grant/hma/policy.shtm">http://www.fema.gov/government/grant/hma/policy.shtm</a>
HMGP	<a href="http://www.fema.gov/government/grant/hmgp/index.shtm">http://www.fema.gov/government/grant/hmgp/index.shtm</a>
PDM	<a href="http://www.fema.gov/government/grant/pdm/index.shtm">http://www.fema.gov/government/grant/pdm/index.shtm</a>
FMA	<a href="http://www.fema.gov/government/grant/fma/index.shtm">http://www.fema.gov/government/grant/fma/index.shtm</a>
RFC	<a href="http://www.fema.gov/government/grant/rfc/index.shtm">http://www.fema.gov/government/grant/rfc/index.shtm</a>
SRL	<a href="http://www.fema.gov/government/grant/srl/index.shtm">http://www.fema.gov/government/grant/srl/index.shtm</a>
Mitigation Planning	<a href="http://www.fema.gov/plan/mitplanning">http://www.fema.gov/plan/mitplanning</a>
Benefit-Cost Analysis	<a href="http://www.fema.gov/government/grant/bca.shtm">http://www.fema.gov/government/grant/bca.shtm</a>
Environmental Planning and Historic Preservation (EHP)	<a href="http://www.fema.gov/plan/ehp/index.shtm">http://www.fema.gov/plan/ehp/index.shtm</a>
HMA Helpline	Telephone: 866-222-3580 E-mail: <a href="mailto:hmagrantshelpline@dhs.gov">hmagrantshelpline@dhs.gov</a>

## A.4 References

- FEMA, 2003. *NFIP Increased Cost Compliance (ICC) Coverage: Guidance for State and Local Officials*. FEMA 301.
- FEMA. 2010. *FY2011 Hazard Mitigation Assistance Unified Guidance: Hazard Mitigation Grant Program, Pre-Disaster Mitigation Program, Flood Mitigation Assistance Program, Repetitive Flood Claims Program, Severe Repetitive Loss Program. (HMA Unified Guidance)*. June 1, 2010. <http://www.fema.gov/library/viewRecord.do?id=3649>

