

Federal Emergency Management Agency

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MEMORANDUM FOR: Regional Directors
Regions I-X

ATTENTION: Mitigation Division Directors
Operations Support Division Directors
Disaster Recovery Managers

FROM: Michael J. Armstrong
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DATE: 30-SEP-97

SUBJECT: Hazard Mitigation Grant Program (HMGP) Ceiling

This Memorandum represents a joint effort to establish an improved methodology for managing the HMGP ceilings. This includes term definitions, managerial responsibilities, a mechanism for calculating the ceiling, and a consistent timeline for establishing the ceilings. This guidance supersedes previous procedures for managing the mitigation ceiling. We hope that this methodology will clear up any outstanding questions and make it easier for us all to manage the program both financially and programmatically. It will also help ensure that FEMA maintains one source of easily accessible financial data.

DEFINITIONS:

(Estimated) Ceiling: The maximum amount of HMGP funds available for hazard mitigation projects and state management costs in a particular disaster (15% of other programs, minus administrative costs). Thus, the total of Section 404 grants for project and management grants may not exceed the mitigation ceiling, but the subgrantee and grantee administrative costs (sliding scales from 44 CFR 206.439) do not count against the ceiling.

Lock-in Ceiling: The guaranteed level of hazard mitigation project and management cost funding in a particular disaster. This is the *estimated ceiling* at an established date (or series of dates) after which point the amount of HMGP funds can only increase, not decrease. The *lock-in ceiling* may be

increased if the *estimated ceiling* is higher than the *lock-in ceiling* on the date of lock-in review.

Final Lock-in Ceiling: The conclusive *lock-in ceiling* amount after all lock-in ceiling reviews.

Projection: At a given time, the estimate of HMGP funds (either the *estimated ceiling* of *lock-in ceiling*, depending on the date) plus the estimate of grantee and subgrantee administrative costs.

RESPONSIBILITIES:

Regional Mitigation Division: The Mitigation Division will coordinate hazard mitigation ceilings with states. The Mitigation Division will monitor the ceiling timeline and notify Operations Support of lock-in dates. The Mitigation Division will complete Chart #6 of the Disaster Financial Status Report (DFSR), showing the detailed cost projections for the Mitigation Program.

Regional Operations Support Division: Regional Operation Support Divisions, as part of their financial responsibilities, will estimate the hazard mitigation ceiling, using Chart #5 of the DFSR described below.

MECHANISMS FOR CALCULATING CEILING:

The DFSR will be the mechanism for calculating the mitigation ceiling, because it contains the Regional Director's projections for all of a Region's declarations, including the projections data for other disaster programs. The DFSR Chart #5 calculates the Hazard Mitigation Ceiling based on projected costs of FEMA's infrastructure and human services programs. The chart performs three steps:

- 1) Takes the total Federal share of program costs for all relevant Stafford Act programs.
- 2) Removes any administrative costs.
- 3) Multiplies this total by 15%.

All these steps are already coded into DFSR. Once the projections, infrastructure detail, and obligations are complete, the mitigation ceiling is automatically calculated.

This chart will be continually updated, so that the Mitigation officers may track the current mitigation ceiling on an ongoing basis. Between lock-in ceiling reviews, the ceiling may be monitored and used as a management tool.

LOCK-IN POLICY AND TIMELINES:

The HMGP estimated ceiling will be established initially within 90 days of the disaster declaration. The estimated ceiling will be maintained at the same amount until six months

after the disaster declaration, at which point the first ceiling review will take place and the lock-in ceiling will be established. At this time, the estimate will be reevaluated based upon the ceiling calculated by the DFSR (15% of other grants in accordance with the Stafford Act). If the resulting estimate has increased at that time, the lock-in ceiling will reflect the increase. If the resulting estimate has decreased, the lock-in ceiling will reflect this decrease as well. **Only at the time of this first HMGP ceiling review shall a decrease in available funds be incorporated into the lock-in.** As a result, the first lock-in ceiling represents the minimum amount of HMGP funds available for a given disaster.

The lock-in ceiling (first review) will remain stable until 12 months after the disaster declaration, at which point the final review will take place. If the resulting estimate amount has increased, the final lock-in ceiling amount will reflect that increase.

The timeline for managing the HMGP ceiling will be effective for all disasters declared on, or after, October 1, 1997. The Regional Director may extend the timeline to include an additional review at 18 months after the disaster declaration if the State requests it and demonstrates that the disaster is of such a catastrophic nature to cause major fluctuations in the estimated ceiling. If the resulting estimate amount has increased, the final lock-in ceiling amount will reflect that increase.

This change in policy supports FEMA's efforts to expedite disaster closeouts. Our goal is to obligate all HMGP funds for a given disaster within two years (24 months). This goal will require a collaborative, ongoing, and active application process throughout the first 18 months after the disaster declaration. After the final lock-in ceiling is established (12 months), the State will have six full months in which to submit remaining HMGP applications to FEMA. Before the end of 24 months, FEMA will obligate all HMGP funds.

SUMMARY OF HMGP CEILING TIMELINE:

3 Months: Initial establishment of the HMGP estimated ceiling.

6 Months: Ceiling is reviewed and the lock-in ceiling is adjusted upward or downward if necessary.

12 Months: Final lock-in ceiling is established.

We appreciate your assistance in implementing this new policy. Please notify the Governors' Authorized Representatives of the changes immediately. Should you have any questions related to the management of the HMGP ceiling, please contact Robert F. Shea at (202) 646-3619. For any questions about the calculations of the ceiling, please contact Bruce Redcay at (202) 646-3043.