

Federal Emergency Management Agency

Washington, D.C. 20472

MEMORANDUM FOR: All FEMA Regional Directors

ATTN: DAP Chiefs

FROM: Richard W. Krimm
Deputy Associate Director
State and Local Programs and Support

DATE: 02-JUN-93

SUBJECT: State Management Costs for Disaster Assistance Programs

The purpose of this memorandum is to clarify policy regarding statutory administrative expenses and State management costs and to remind you that State management costs are to be used **ONLY** for the direct costs of applying for and administering disaster assistance grant programs, and not for project-specific costs. The discussion below applies to both the Public Assistance (PA) Program and the Hazard Mitigation Grant Program (HMGP).

In addition to specific project costs, grantees are reimbursed for two categories of “direct administrative costs” (OMB terminology): statutory administrative and State management. Subgrantees receive the statutory administrative costs only. Statutory administrative costs are calculated in accordance with section 406(f) of the Stafford Act. For the subgrantee, this percentage allowance covers all “necessary costs of requesting, obtaining, and administering Federal assistance” based on a percentage of net eligible costs (the DSR amount). Examples of such costs are preparation of DSRs, applications, audits, and related field inspections, record keeping, and filing of claims by the local government. For the grantee, the allowance covers only overtime pay and per diem and travel of State employees performing the tasks listed above or other grant administration tasks. The calculation of the allowance is based on the sliding scale described in section 406(f). Other State costs not covered by this allowance, such as regular time for such employees, are included in State management costs.

State Management costs, which essentially cover the costs of managing or administering the HMGP or PA programs which are not covered by the percentage allowance, include all other “direct grant administration costs” of the grantee that are consistent with the guidance of 44 CFR Part 13, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments. These costs generally represent regular time salaries and approved equipment purchases and are not intended to fund overtime, per diem, and other costs already covered by statutory administrative costs. HMGP regulations (at 44 CFR 206.439) further provide that State management costs are to be matched by the States: “Costs of State personnel . . . assigned to administrator the HMGP may be eligible when approved by the Regional Director. Such costs shall be shared in accordance with the cost share provisions of Section 404 of the

Act.” FEMA’s share of State management costs for the HMGP is thus limited to 50 percent. Similarly, regulations for the Public Assistance program at 44 CFR 206.203(b) specify that all grants will be subject to cost sharing established in the FEMA-State Agreement. The State Management Cost DSR falls within this definition.

State management costs are to be used only for overall grant management and administration of the PA and HMGP programs, and are based on the personnel needs of the State. They must be consistent with the staffing requirements established in the HMGP and PA administrative plans and the staffing pattern developed for the DFO and approved by FEMA at the beginning of the disaster. They will not necessarily cover all management costs; some costs are the responsibility of the grantee, such as staffing and operating a Disaster Application Center (DAC). State management costs are also not intended to cover project-specific management activities such as the costs of a project manager or a resident engineer on a large construction project. Those costs go on the project DSR and must be justified for a particular project.

The HMGP and PA program are both primarily project oriented. That is, they both provide funding to build a product. Construction of a facility may be funded with either program or the HMGP may fund development of a land use regulation or ordinance resulting in implementation. (The PA program may also fund the operation of certain emergency services necessary to save lives or protect public health and safety or property.) However, once the product or facility is delivered, funding the staffing or operation of that facility is not within the intent or authority of the Stafford Act. A very minimal amount of operation of a facility for the purpose of testing may be eligible but this would only apply for the more complex projects.

Please contact Larry Zensinger, Chief, Public Assistance Division, at (202) 646-4240 if you have any questions on this matter.