BACKGROUND
Section 324 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended (Stafford Act) authorizes the Federal Emergency Management Agency (FEMA) to provide funding under the Hazard Mitigation Grant Program (HMGP) for management costs incurred in the administration of HMGP. The Disaster Recovery Reform Act (DRRA) amends Section 324 of the Stafford Act and requires FEMA to provide HMGP funding for management costs at the following percentage rates: “A grantee [recipient] under section 404 may be reimbursed not more than 15 percent of the total amount of the grant award under such section of which not more than 10 percent may be used by the grantee and 5 percent by the subgrantee [subrecipient] for such costs.”

Because of the amendment to Section 324, Title 44 Code of Federal Regulations (CFR) Part 207 is no longer effective. This policy implements the new amendment to Section 324 and thereby supersedes existing regulations and policies related to management costs, including the Hazard Mitigation Assistance Guidance, as applicable, and applies to all major disasters declared on or after August 1, 2017.

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

PRINCIPLES
A. Implement the authorities provided under Stafford Act Section 324 to provide management costs.
B. Provide incentives through the provision of management cost funding to encourage recipients and subrecipients to practice efficient grants management and complete HMGP activities in a timely manner.

REQUIREMENTS
A. MANAGEMENT COSTS DEFINITION AND RATES
Outcome: Provide funding under HMGP to both recipients and subrecipients for management costs up to a percentage of a total award amount.

1. Section 324(a) of the DRRA defines management costs as 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 activity or measure.

a. This change in definition does not change the list of eligible management cost activities identified in Hazard Mitigation Assistance (HMA) Guidance (2015).

2. Section 324(b) of the DRRA establishes management cost rates under HMGP, as follows: recipients will be reimbursed not more than 15 percent of the total amount of HMGP award of which not more than 10 percent may be used by the recipient and 5 percent by the subrecipient.

a. If a state and tribal government both receive a presidential declaration for the same incident within the same state, then both are recipients. As such, both are eligible to receive recipient management cost contributions up to 10 percent.

B. PROGRAM REQUIREMENTS AND PROCEDURES

Outcome: Ensure recipients have processes for providing, managing and reporting recipient and subrecipient management costs.

1. FEMA will provide 100 percent Federal funding for management costs based on actual costs incurred up to the rates established above.

2. FEMA will provide all management cost funding to the recipient. The recipient must provide the subrecipient management cost funding for documented actual costs, up to 5 percent of the total amount of the HMGP award.

3. All costs must be reasonable, allowable, allocable, and necessary as required by 2 CFR Part 200 Subpart E, applicable program regulations, and HMA Guidance (2015).

4. FEMA will be providing additional policy on documenting and evaluating reasonableness as it specifically relates to management costs.

5. Management cost awards must meet the uniform administrative requirements for a federal award found in 2 CFR Part 200, in particular, records retention, closeout and audit.

6. Recipients' Administrative Plans must include procedures for monitoring and reporting on subrecipient management costs before receiving funding for management costs under this policy.

7. Recipients who already have an approved Administrative Plan must update their plans to include subrecipient management cost monitoring and reporting procedures and submit to FEMA for approval before receiving an increase in management costs.
C. ESTIMATING FUNDING TO MAKE AVAILABLE FOR MANAGEMENT COSTS

Outcome: Provide management costs to recipients prior to establishment of total HMGP award amount.

1. FEMA will establish the amount of funds that it will initially make available for management costs based on the following point-in-time HMGP funding projections:
   
a. FEMA will provide a preliminary management cost estimate 30 days after the date of the major disaster declaration (or soon thereafter).
   
b. FEMA will revise the estimated amount at 6 months after the date of the major disaster declaration.
   
c. FEMA will determine the total management cost estimate 12 months after the date of the major disaster declaration, or after determination of the total HMGP award, whichever is later.

2. Upon receipt of the initial 30-day management costs estimate, FEMA will make the following amounts available for application and award:
   
a. For recipients with Enhanced Mitigation Plan and Program Administration by States (PAS) designations, recipients may apply to FEMA for 35 percent of the estimated amount(s).
   
b. For other recipients, recipients may apply to FEMA for 25 percent of the estimated amount(s).

3. If the 6-month management costs increase beyond the 30-day estimate, and if the recipient can justify a need for additional management costs, the recipient may apply for available funding. The following amounts will be available:
   
a. For recipients with Enhanced Mitigation Plan and Program Administration by States designations, recipients may apply for 75 percent of the available or remaining recipient management costs.
   
b. For other recipients, recipients may apply for 50 percent of the available or remaining recipient management costs.

4. Recipients may apply to FEMA for an adjustment in available funding based on the 30-day or 6-month estimates. This option is intended for recipients that:
   
a. Do not have sufficient capacity because of lack of funding, staffing or other necessary expertise to satisfy HMGP requirements; or
b. Have experienced significant disruption from a declared disaster or other event that impacts its ability to complete HMGP activities.

5. Recipients must apply to FEMA for adjustment funding, provide justification that they need an exception, and complete one of the following:

   a. Provide a management plan that outlines how they will build state or tribal workforce proficiency and experience in grants management, mitigation planning or application review. This option is only available to recipients FEMA has determined the degree of risk requires special conditions to be attached to the award per 2 CFR 200.205; or

   b. Enter into a Program Administration by States agreement if they meet program requirements.

6. At 12 months after the declaration, the recipient is eligible to apply for the total management cost award subject to certain withholdings set forth in Section D of this policy. From the 12-month mark forward, the recipient and subrecipients will only be reimbursed for actual management costs.

7. To apply for available management cost assistance, the recipient must apply to FEMA and meet the application and submission requirements found in HMA Guidance (2015). FEMA will not award any management costs unless the application is approved.

8. Subrecipient management cost awards will be available to the recipient at the time of award based on the total non-management cost HMGP project amount.

9. For major disaster declarations made on or after August 1, 2017, and prior to October 5, 2018, recipients and subrecipients may apply for actual expenses of management cost activities in instances where previous rates did not cover allowable costs incurred based on the lower rates but not up to more than 10 percent of the total award for recipients, or up to more than 5 percent for subrecipients.

   a. FEMA will use the pre-award process in HMA Guidance (2015) to review and approve such applications.

   b. This applies to awards and subawards covered under this policy that have been closed out or are still open under major disaster declarations prior to the issuance of this policy.

D. MONITORING AND CLOSEOUT FOR MANAGEMENT COSTS
Outcome: Ensure management costs are closed out in a timely manner.

1. All management costs provided above will be obligated in increments sufficient to cover recipient and subrecipient needs for no more than one year unless contractual agreements require additional funding.
2. The recipient will reconcile subrecipient management costs against actual costs of the total award on a quarterly basis.

3. FEMA will reconcile management cost funding against actual costs on a quarterly basis.

4. To ensure management costs are closed out in a timely manner FEMA will withhold a percentage of the recipient management costs award excluding subrecipient management costs.
   
   a. For recipients with Enhanced Mitigation Plan and Program Administration by States designations, FEMA will withhold 2 percent of the recipient management costs award.
   
   b. For other recipients, FEMA will withhold 3 percent of the recipient management costs.
   
   c. FEMA will provide the withheld funding after the recipient closes the last non-management cost HMGP project.

5. The subrecipient can claim management costs incurred up to whichever of the following occurs first:
   
   a. 180 days after work is completed for the non-management cost HMGP project for the declaration; or
   
   b. 180 days after the latest performance period for the non-management cost HMGP project; or
   
   c. The recipient management cost award has been closed out.

6. The recipient can 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 HMGP project for the declaration; or
   
   b. 180 days after the latest performance period of the last non-management cost HMGP project for the declaration; or
   
   c. Eight years from the date of a major disaster declaration.

7. The period of availability may be extended only at the justified, written request of the recipient, with the recommendation of the Regional Administrator and with the approval of the Chief Financial Officer.
8. To promote fiscal responsibility and better grants management of large scale disasters FEMA will require additional controls to ensure funds are spent in accordance with HMA Guidance (2015) and federal regulations by incrementally funding activities.

   a. For management cost awards over $6 million (including both recipient and subrecipient shares), FEMA will develop an agreement with the recipient that outlines the release of funding. The agreement will define recipient responsibilities and the process for reviewing funding on an incremental basis.

   ______________________________________
   David I. Maurstad
   Deputy Associate Administrator for Insurance and Mitigation

   ______________________  11/14/2018
   Date
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 incorporate management costs into the next version of the Hazard Mitigation Assistance Guidance (2015).

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

QUESTIONS
Direct questions to HMA Grants Policy Branch at fema-hma-grants-policy@fema.dhs.gov.