Unit 2
The BCA Requirement
Unit 2 Overview

• Describe the statutory and regulatory requirements for BCAs for FEMA mitigation projects.
• Introduce students to relevant content in statute and regulations.
• Discuss the other advantages of conducting BCAs for mitigation projects.

Visual 1: Unit 2 Overview

Unit 2 will cover several topics:
• It will cover the statutory and regulatory requirements for FEMA BCAs.
• It will introduce students to relevant content in statute and regulations.
• It will also discuss the other advantages of conducting BCAs for mitigation projects.
Unit 2 Objectives

Unit 2 Objectives

- Students should be able to describe the statutory and regulatory drivers behind FEMA’s BCA requirement.
- Students should be able to explain how BCA can help with project planning and justification.

Visual 2: Unit 2 Objectives

Unit 2 has several objectives. At the end of this unit, students should be able to:
- Describe the statutory and regulatory drivers behind FEMA’s BCA requirement.
- Explain how BCA can help with project planning and execution.
FEMA’s BCA Requirement

FEMA’s cost-effectiveness requirement

Now that you’ve learned some basic concepts behind BCA, let’s discuss:

- Why FEMA requires BCAs for federally-funded hazard mitigation projects.
- What kinds of projects require BCAs.

Visual 3: FEMA’s cost-effectiveness requirement

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- Why FEMA requires BCAs for federally-funded mitigation projects.
- What kinds of projects require BCAs.
Whether FEMA, state, local, territorial, or tribal staff, it is our duty to exercise responsible stewardship of taxpayer dollars.

- The legislative branch, through the Robert T. Stafford Disaster Relief and Emergency Assistance Act, tells us that we must do this.
- Meanwhile the executive branch, through Title 44 Code of Federal Regulations (44 CFR) and Office of Management and Budget (OMB) Circular A-94, tells us how.

Visual 4: FEMA’s cost-effectiveness requirement, cont.

Whether FEMA, state, local, territorial, or tribal staff, it is our duty to exercise responsible stewardship of taxpayer dollars.

The legislative branch, through the Robert T. Stafford Disaster Relief and Emergency Assistance Act ("Stafford Act") tells us that we must do this.

Meanwhile, the executive branch, through Title 44 Code of Federal Regulations ("44 CFR") and OMB Circular A-94, tells us how – by doing a Benefit-Cost Analysis.
Statutory and Regulatory Drivers

Statutory and regulatory drivers

- Statutory (actual law):
  - Stafford Act

- Regulatory (“administrative law”):
  - 44 CFR: Parts 78 and 206 Subpart N

- Other:
  - OMB Circular A-94

Visual 5: Statutory and Regulatory Drivers

The statutory – that is, actual law—requirement for cost-effectiveness comes from the Stafford Act.

Regulatory (sometimes referred to as “administrative law”) requirements come from 44 CFR Parts 78 and 206 Subpart N.

Finally, we have the White House Office of Management and Budget (OMB)’s Circular A-94, which is an instruction from the executive branch which gives specific guidance on how to conduct BCA for federal programs.
The Stafford Act

The Stafford Act is an act of Congress governing disaster relief.

Section 203, which authorizes the Pre-Disaster Mitigation (PDM) program, states that: “The President may establish a program to provide technical and financial assistance to States and local governments to assist in the implementation of predisaster hazard mitigation measures that are cost-effective and are designed to reduce injuries, loss of life, and damage and destruction of property, including damage to critical services and facilities under the jurisdiction of the States or local governments.”

Section 404, which governs Hazard Mitigation activities, states that: “The President may contribute up to 75 percent of the cost of hazard mitigation measures which the President has determined are cost-effective and which substantially reduce the risk of future damage, hardship, loss, or suffering in any area affected by a major disaster.”

For a link to the Stafford Act, click here: https://www.fema.gov/media-library/assets/documents/15271
44 CFR

- The CFR is the codification of the general and permanent rules and regulations of the federal government. 44 CFR covers emergency management and assistance.
- Parts 78 (Flood Mitigation Assistance), and 206 Subpart N (HMGP) state that cost-effectiveness is a requirement of receiving mitigation grant funds.

Visual 7: 44 CFR

The CFR is the codification of the general and permanent rules and regulations of the federal government.

44 CFR covers emergency management and assistance.

Part 78 covers the Flood Mitigation Assistance (FMA) program, and 206 Subpart N covers the Hazard Mitigation Grant Program (HMGP). Both parts state that cost-effectiveness is a requirement of receiving mitigation grant funds. We’ll cover excerpts from each section on the next two slides.

44 CFR Part 78

§78.11 Minimum project eligibility criteria (FMA)

- The identification of a project or activity in an approved Flood Mitigation Plan does not mean it meets FMA eligibility criteria. Projects must:
  - (a) Be cost-effective, not costing more than the anticipated value of the reduction in both direct damages and subsequent negative impacts to the area if future floods were to occur. Both costs and benefits are computed on a net present value basis.

44 CFR Part 78 discusses the minimum project eligibility criteria for the FMA program.

Projects must: “Be cost-effective, not costing more than the anticipated value of the reduction in both direct damages and subsequent negative impacts to the area if future floods were to occur. Both costs and benefits are computed on a net present value basis.”
44 CFR Part 206, Subpart N

§206.434 Minimum project criteria (HMGP)

- (c) To be eligible for the Hazard Mitigation Grant Program, a project must:
  - (5) Be cost-effective and substantially reduce the risk of future damage, hardship, loss, or suffering resulting from a major disaster. The grantee must demonstrate this by documenting that the project will not cost more than the anticipated value of the reduction in both direct damages and subsequent negative impacts to the area if future disasters were to occur. Both costs and benefits will be computed on a net present value basis.

44 CFR Part 206 Subpart N discusses the minimum project eligibility criteria for the HMGP program in almost identical language:

Projects must: “Be cost-effective and substantially reduce the risk of future damage, hardship, loss, or suffering resulting from a major disaster. The grantee must demonstrate this by documenting that the project will not cost more than the anticipated value of the reduction in both direct damages and subsequent negative impacts to the area if future disasters were to occur. Both costs and benefits will be computed on a net present value basis.”
Introduction to Benefit-Cost Analysis

Unit 2

The BCA Requirement

OMB Circular A-94

The purpose of OMB Circular A-94 is to “promote efficient resource allocation through well-informed decision-making by the Federal Government.”

Circular A-94 provides guidance on how to perform BCA.

FEMA’s BCA Toolkit, which we will discuss more in Unit 4, was developed in accordance with the guidance in Circular A-94 to simplify the BCA process.

Visual 10: OMB Circular A-94

The purpose of OMB Circular A-94 is to “promote efficient resource allocation through well-informed decision-making by the Federal Government.”

Circular A-94 provides guidance on how to perform a BCA. The document is fairly technical, so we won’t go into the details.

FEMA’s BCA Toolkit, which we will discuss more in Unit 4, was developed in accordance with the guidance in Circular A-94 to simplify the BCA process for applicants and subapplicants.
OMB Circular A-94, cont.

- “Analyses should include comprehensive estimates of the expected benefits and costs to society based on established definitions and practices for program and policy evaluation. Social net benefits, and not the benefits and costs to the Federal Government, should be the basis for evaluating government programs or policies that have effects on private citizens or other levels of government.”


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Other Reasons to do a BCA

Other reasons to do a BCA

- BCAs can help you set priorities among projects.
- BCAs help you determine whether a project is a good investment for the public.
- BCAs are also a powerful tool for “selling” good mitigation projects to the communities involved.

BCA helps you determine whether a project is a good investment for the public.

BCA can also help you set priorities among projects. Often, there are more good projects than there is money to fund them. BCA helps ensure that society gets the best return on its investment in mitigation—that is, the greatest possible reduction in future damages and losses.

While many of you will conduct BCAs primarily in order to meet the statutory requirement, keep in mind that BCA is also a powerful tool for “selling” good mitigation projects.

Can you think of any other good reasons to do a BCA for your mitigation project?
How do we know that BCAs work?

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- BCAs are theoretical – how can we show that we are meeting OMB’s requirements? How can we tell if a project is “successful”? How can we show that a project did what it was supposed to do?

- Using Loss Avoidance Studies after a disaster, we can calculate how much was avoided in damages through the projects and show cost-effectiveness.

- Nationwide, mitigation projects save $6 for every $1 invested—*mitigation works*!

Visual 13: How do we know that BCAs work?

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Nationwide, mitigation projects save $6 for every $1 invested—*mitigation works*!
How do we know that BCAs work?

### What types of projects require a BCA?

- Almost all mitigation projects require a BCA, including but not limited to:
  - Structural and non-structural retrofits
  - Generators
  - Physical protective measures
- Some project types that meet certain criteria qualify for “pre-calculated benefits” and don’t require a standalone BCA. We will discuss those in Unit 4.
- There are also exceptions for projects for which benefits and costs can’t be quantified, such as:
  - Mitigation planning
  - Public education and outreach

*Visual 14: What types of projects require a BCA?*
Unit 2 Review

The statutory and regulatory drivers behind FEMA’s BCA requirement include:
- The Stafford Act
- 44 CFR
- OMB Circular A-94

In addition to the above, there are a number of good reasons to conduct a BCA for your hazard mitigation project.

Visual 15: Unit 2 Review

Recall that in this unit, we discussed the statutory and regulatory drivers behind FEMA’s BCA requirement. They include:
- The Stafford Act
- 44 CFR
- OMB Circular A-94

In addition to the above, we also discussed good reasons to conduct a BCA for your hazard mitigation project.