



PUBLIC ASSISTANCE MANAGEMENT COSTS INTERIM POLICY

BACKGROUND

On October 5, 2018, the President signed the [Disaster Recovery Reform Act of 2018](#) (DRRA) into law as part of the Federal Aviation Administration Reauthorization Act of 2018. The Section 1215 of the DRRA changed Section 324 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as Amended (Stafford Act). As a result of the amendment to Section 324, Title 44 Code of Federal Regulations (CFR) Part 207 is no longer effective.

Objective

The Public Assistance (PA) Management Costs Interim Policy (Interim Policy) implements Section 1215 of the DRRA and provides greater flexibility to state, tribal, territorial and local governments to manage the PA Program. FEMA will evaluate this Interim Policy as it is implemented and will update the management costs policy in the Public Assistance Program and Policy Guide.

Summary of Changes

Changes include:

- A revised definition of management costs to include indirect costs and direct administrative costs
- A revised maximum management cost rate of up to 12 percent, of which up to 7 percent is for the Recipient and up to 5 percent is for Subrecipients.
- Elimination of the \$20 million cap
- Elimination of lock-in amounts and the associated process for determining the lock-in amount

Management Costs Contribution

FEMA defines PA management costs as including any of the following when associated with the PA portion of a major disaster or emergency:

- Indirect costs
- Direct administrative costs
- Other administrative expenses associated with a specific project

FEMA provides contributions for management costs based on **actual costs incurred up to:**

- 7 percent of the total award amount for the Recipient, excluding Subrecipient management costs.
- 5 percent of the total award amount for each Subrecipient.

The total award amount, for the purposes of calculating the management cost contribution, is the actual eligible PA project costs (Federal and non-Federal share) after insurance and any other reductions. Category B Donated Resource Project Worksheets (PW) are not included in the calculation as they are not project awards.

Retroactive Implementation

This Interim Policy applies retroactively to incidents declared on or after August 1, 2017. Some of the Recipients and Subrecipients with incidents declared from August 1, 2017, through October 4, 2018, may choose between using this Interim Policy or continuing to use the existing regulations and policies related to Management Costs and Direct Administrative Costs (DAC) as detailed in 44 CFR Part 207, Chapters 2.V.N and

3.V.B of the *Public Assistance Program and Policy Guide (PAPPG)*, and the *Public Assistance Alternative Procedures for Direct Administrative Costs (DAC Pilot)*.

Recipients or Subrecipients that (as of the date of this Interim Policy) have:	OPTIONS		
	Management Costs Interim Policy	DAC Pilot	Previous DAC Policies
Opted into the DAC Pilot (regardless of whether funding has been obligated).	✓	✓	-
Not opted into the DAC Pilot, but have DAC funding obligated.	✓	-	✓
Not opted into the DAC Pilot and have no DAC funding obligated.	✓	-	-

Recipients and Subrecipients must notify FEMA of which option they choose within 90 calendar days from the date of the Interim Policy or they will continue receiving the option applied prior to this Interim Policy. The following charts outline the differences between each of the implementation options:

<i>SUBRECIPIENTS</i>		
<i>Management Costs Interim Policy</i>	<i>DAC Pilot</i>	<i>Standard DAC Policy</i>
5% cap calculated based on final actual eligible project costs, including Federal and non-Federal cost shares, after insurance and any other reductions.	5% cap calculated based on the total of the following (prior to insurance or cost share reductions): <ul style="list-style-type: none"> The fixed amount for any Alternative Procedures Permanent Work Pilot projects. The eligible amount of non-Permanent Work Pilot PWs submitted to FEMA within 2 years of the declaration date 	No cap.
Receive reimbursement for actual reasonable costs not-to-exceed (NTE) the 5% calculation. Cannot retain excess funds.	Receive reimbursement for actual costs up to the 5% calculation (1% of this is withheld by the Recipient and deobligated if closeout requirements are not met). May retain excess funds when used for specific purposes.	Receive reimbursement for actual reasonable DAC. Cannot retain excess funds.
Management costs related to small projects are funded based on actual costs.	DAC related to small projects are funded based on actual costs.	DAC on small projects may be funded based on estimates.
Management costs are funded at 100 percent Federal cost share.	DAC is funded based on the Federal cost share for Permanent Work.	DAC is funded based on the Federal cost share of the associated project.
Includes both direct and indirect costs.	May only claim indirect costs if Recipient passes through funding from its 3.34 percent.	May only claim indirect costs if Recipient passes through funding from its 3.34 percent.
Obligated on one Category Z PW.	DAC is obligated on one Category Z PW.	DAC is obligated within each Category A-G PW.

RECIPIENTS

<i>Management Costs Interim Policy</i>	<i>DAC Pilot</i>	<i>Standard DAC Policy</i>
7% cap for all indirect and direct costs that is calculated based on final actual eligible project costs, prior to cost share reductions, but after insurance and any other reductions.	<p>3.34% cap for indirect costs (NTE \$20 million across PA and HMGP), a 5% cap for DAC related to Recipient’s own projects, and no cap for DAC related to Subrecipient projects.</p> <p>The 3.34% is calculated based on the Federal share of the total estimated obligations (after insurance and any other reductions) at one year after the declaration date.</p> <p>The 5% is calculated based on the total of the following (prior to insurance or cost share reductions):</p> <ul style="list-style-type: none"> • The fixed amount for any Alternative Procedures Permanent Work Pilot projects. • The eligible amount of non-Permanent Work Pilot PWs submitted to FEMA within 2 years of the declaration date. 	<p>3.34% cap for indirect costs (NTE \$20 million across PA and HMGP) and no cap for DAC related to either its own projects or Subrecipient projects.</p> <p>The 3.34% is calculated based on the Federal share of the total estimated obligations (after insurance and any other reductions) at one year after the declaration date.</p>
Receive reimbursement for actual reasonable management costs (indirect and direct administrative costs), NTE the 7% calculation. Cannot retain excess funds.	Receive reimbursement for actual reasonable indirect costs up to 3.34 percent (NTE \$20 million across PA and HMGP), up to 5% DAC on its own projects (1% deobligated if closeout requirements are not met), and actual reasonable DAC related to Subrecipient projects. May retain excess DAC funds related to its own projects when used for specific purposes.	Receive reimbursement for actual reasonable indirect costs up to 3.34% (NTE \$20 million across PA and HMGP), and receive actual reasonable DAC for both its own projects and Subrecipient projects. Cannot retain excess funds.
Management costs related to small projects are funded based on actual costs.	Indirect costs and DAC related to small projects are funded based on actual costs.	Indirect costs and DAC related to Subrecipient small projects are funded based on actual costs. DAC related to a Recipient’s own small projects may be funded based on estimates.
100% Federal share.	DAC related to Subrecipient projects and all indirect costs are funded at 100% Federal share. DAC related to the Recipient’s own projects are funded based on the Federal cost share for Permanent Work.	DAC related to Subrecipient projects and all indirect costs are funded at 100% Federal share. DAC for a Recipient’s own projects are funded based on the Federal cost share of the associated project.
Obligated on one Category Z PW.	Indirect costs are obligated on a Category Z PW, DAC related to Subrecipient projects are obligated on another Category Z PW, DAC related to a Recipient’s own projects are obligated on another Category Z PW.	Indirect costs are obligated on a Category Z PW, DAC related to Subrecipient projects are obligated on another Category Z PW, DAC related to a Recipient’s own projects are obligated within each Category A-G PW.