



Strategic Funds Management Implementation Guide for the Hazard Mitigation Grant Program

Purpose

The purpose of this Job Aid is to establish the process for implementing Strategic Funds Management (SFM) in the Hazard Mitigation Grant Program (HMGP). SFM is the Federal Emergency Management Agency's (FEMA's) process for obligating HMGP funding based on a subrecipient's schedule to execute the eligible work. It is designed to provide incremental funding for eligible activities when funds are required.

SFM enhances FEMA's management of the Disaster Relief Fund (DRF) consistent with congressional appropriations and the Budget Control Act of 2011.¹ SFM helps avoid project funding restrictions that may occur under Immediate Needs Funding (INF). INF is implemented to preserve funding in the DRF for immediate needs. SFM does not change the project eligibility process. It is a new method of approving work and providing funds as they are needed.

Scope and Audience

This Job Aid applies to all pending and future HMGP projects with a Federal share of \$1 million or greater.

Background

Historically, FEMA has obligated full HMGP project funding as soon as the project is prepared, reviewed, and approved, even when the subrecipient does not expect to expend the funds for an extended period. This method has resulted in a large amount of unexpended obligations every year, reducing funds available in the DRF, and on a few occasions, implementation of DRF funding restrictions under INF.

Implementation

This section delineates the implementation process for SFM.

Step 1: Evaluating HMGP projects for SFM potential

Recipients, subrecipients, and FEMA staff must evaluate all pending and future HMGP projects with a \$1 million Federal share or greater to determine whether the project is a candidate for incremental obligation. This will allow FEMA to approve and obligate only the funds that will be drawn down by the Recipient within a reasonable period.

For HMGP projects currently under FEMA review:

- FEMA evaluates the project for SFM potential. If a project is appropriate for SFM, FEMA and the Recipient must coordinate to revise the project to support SFM by adjusting budgets and schedules accordingly. The Recipient must ensure that the budget reflects line items that support incremental funding based on the new proposed work schedule.

For already developed HMGP projects not yet submitted to FEMA:

- The Recipient evaluates the project for SFM potential. If a project is appropriate for SFM, the Recipient and

¹ Budget Control Act of 2011, S. 365, 112th Cong. (2011). <http://www.gpo.gov/fdsys/pkg/BILLS-112s365enr/pdf/BILLS-112s365enr.pdf>

subrecipient coordinate to revise the project to support SFM.

For new and not yet developed HMGP projects:

- The subrecipient evaluates the project for SFM potential. If a project is appropriate for SFM, the subrecipient should prepare project budgets so that line items for logical segments of work can be selected for each obligation. The work schedule should include the timeframe in which subsequent obligations are anticipated.

FEMA recognizes that certain projects may not be suitable for incremental obligations. The following project types are not required to use SFM:

- Projects with a Federal share of less than \$1 million
- Projects that require an approved source of funding (full obligation) by the State procurement process in order for the Applicant to enter procurement and contracting
- Projects for which most of the funds will be disbursed within 6 months

If SFM is not used on a project with a Federal share of \$1 million or greater, the Recipient must provide proper justification to FEMA.

Step 2: Determining Eligibility and Tracking

- FEMA will review the project application for general program eligibility requirements. Once the project is determined to be eligible for HMGP funding, FEMA and the Recipient will work together to schedule obligations based on the subrecipient's work schedule, and funding will be made available when the Recipient is ready to expend the funds on an HMGP award/subaward.
- FEMA, the Recipient, and the subrecipient must also review the schedule, budget and scope to ensure that the proposed schedule is compatible with procurement requirements as defined in 44 CFR 13.36.²
- FEMA and the Recipient must capture the proposed obligation schedule in the National Emergency Management Information System (NEMIS).

Step 3: Large Project Notification Overview and Initial Obligation

Large Project Notification (LPN) is the process by which FEMA notifies Congress of any obligations of \$1 million Federal share or greater prior to obligating the award funds. If any of the SFM award increments will be equal to a \$1 million Federal share or greater, the LPN process is required. The LPN process must be completed prior to the obligation and approval of the initial SFM award increment.

FEMA's Office of Chief Financial Officer (OCFO) reviews all projects submitted for LPN and follows up with the FEMA Headquarters (HQ) Program Office to ensure that SFM has been considered. The OCFO also reviews monthly Spend Plans and can review scheduled obligations including SFM award increments.

Initial Obligation of Funds

- FEMA's Regional or Field Program Office is responsible for providing all information needed to process an LPN.
- The Recipient must provide a schedule of proposed obligation dates and amounts to FEMA HQ Program Office and the OCFO for all projects using SFM.
- FEMA's HQ Program Office reviews all LPNs to verify completeness and SFM consideration, and notifies the OCFO.
- The OCFO is responsible for completing all LPN coordination with the Office of Management Budget (OMB)

² Emergency Management and Assistance, Title 44 of the Code of Federal Regulations Parts 1-402 (October 1, 2002), <http://www.gpo.gov/fdsys/pkg/CFR-2002-title44-vol1/content-detail.html>

and Department of Homeland Security (DHS).

- The OCFO updates the FEMA LPN SharePoint website when congressional notification is complete by adding the date the funds are available to obligate.
- The FEMA HQ Program Office will notify the FEMA Regional or Field Program Office of the date that the funds can be awarded.
- The Region may proceed to obligate the first award increment for the project. Subsequent eligible line items remain unfunded until the established project milestones are met and approvals are obtained.

Step 4: Managing Subsequent Funding Obligations through Quarterly Reporting

FEMA verifies the need for subsequent obligations through quarterly reporting. Subsequent obligations are based on project progress and milestones as reflected on the quarterly reports. If a Recipient is not on target for scheduled fund drawdowns or project completion requirements, FEMA works with the Recipient to revise the award dates and provide updates to the OCFO. For any SFM award increments that are \$1 million Federal share or greater, the congressional notification must be completed prior to approval and award.

Subsequent SFM Obligations under the same LPN

- The Recipient notifies FEMA in writing (email or other correspondence) when it requires funding to meet the project schedule. Recipients should request project funding a minimum of 30 days before they need the funds. The 30 day minimum allows FEMA and the Recipient time to coordinate the Spend Plan and any SFM schedule adjustments.
- The FEMA Regional Office will send an email to the FEMA HQ Program Office and the LPN mailbox notifying them that a subsequent SFM award increment is being requested by the Recipient.
- The OCFO will coordinate with DHS and update the FEMA LPN SharePoint website when congressional notification is complete.
- The FEMA HQ Program Office will notify the FEMA Regional or Field Program Office of the date that the SFM award increment can be obligated.
- The Regional Office may proceed to approve the activity and obligate funds to the Recipient for subsequent SFM award increments.
- Additional obligations are processed through NEMIS amendments pursuant to the normal course of project implementation and subsequent funding.

Step 5: Post-Award Implementation

The standard Grants Management and Program Management requirements apply to the project upon obligation.

Step 6: Reporting and Process Controls

SFM project data are available from NEMIS and the Enterprise Data Warehouse. FEMA Regions are encouraged to share SFM reports with Recipients for ongoing coordination. The FEMA HQ Program Office and OCFO are responsible for review, consistency, and standardization of SFM procedures.

Appeals

In accordance with 44 CFR 206.440, FEMA's determination of the eligibility of a scope of work is an Agency action subject to appeal. However, the timing and execution of the obligation action by FEMA, using SFM to manage DRF funds, is not subject to appeal.

Responsible Office

Risk Reduction Division, Federal Insurance and Mitigation Administration

Review Date

This document does not automatically expire but will be reviewed 3 years from the date of issuance, or as needed.

Attachments

1. SFM Acquisition Project Narration Example (Part 1 of 2)
2. SFM Acquisition Project Worksheet Example (Part 2 of 2)
3. Elevation Project Budget and Projected SFM Schedule Example
4. Advance Assistance Budget and Projected SFM Schedule Example
5. SFM Schedule Worksheet* (Blank)

*This worksheet is optional and not required for SFM projects. The worksheet may assist in tracking incremental obligations.


Attachment One – SFM Acquisition Project Narration Example (Part 1 of 2)

Main County, through the State, has developed an HMGP application to acquire and demolish 50 residential structures from the Special Flood Hazard Area. The project's total cost is \$6,332,850.


The project has been divided into five increments based on the subrecipient work schedule and projected obligation dates. Each line item will be itemized according to activity. These activities will likely be performed by one group or under one Request for Procurement. Funds associated with the activities will be available immediately upon approval.

Based on the work schedule, the subrecipient estimates that 10 to 15 properties will be acquired at each consecutive quarter. The respective line items will be selected for obligation based on work schedule and actual progress of the project.

Attachment Two – SFM Acquisition Project Worksheet Example (Part 1 of 2)


 FEMA		Hazard Mitigation Grant Program (HMGP) Strategic Funds Management (SFM) Summary Sheet		
Recipient	State			
Subrecipient	Main County			
Disaster	1234	Project Number	1234.05	
Project Type	Acquisition (50 total properties)			
Date	01/01/2014			
FEMA has determined that this project is eligible for Strategic Funds Management. The funding timeline for this project is shown below. This timeline is an estimate, and changes to the funding schedule may become necessary. The Recipient should notify FEMA if there are potential changes to the funding timeline. FEMA requires a minimum of 30 days advance notice to request additional funds through an email or written correspondence.				
Projected Obligation Schedule				
Projected Obligation Dates	Description of Work	HMGP Federal Funds	Non-Federal Funds	Total Funds
01/01/2014	Property Management, Title Search, Appraisals, Legal, and Administrative Work (50 total properties)	\$93,750.00	\$31,250.00	\$125,000.00
04/01/2014	Acquisition, Demolition, Closing, and Utilities (10 of 50 properties)	\$1,034,625.00	\$344,875.00	\$1,379,500.00
07/01/2014	Acquisition, Demolition, Closing, and Utilities (10 of 50 properties)	\$517,387.50	\$172,464.50	\$689,850.00
10/01/2014	Acquisition, Demolition, Closing, and Utilities (15 of 50 properties)	\$1,551,937.50	\$517,312.50	\$2,069,250.00
01/01/2015	Acquisition, Demolition, Closing, and Utilities (15 of 50 properties)	\$1,551,937.50	\$517,312.50	\$2,069,250.00
Project Totals		\$4,749,637.50	\$1,583,214.50	\$6,332,850.00

Attachment Three – Elevation Project Budget and Projected SFM Schedule Example

 FEMA		Hazard Mitigation Grant Program (HMGP) Strategic Funds Management (SFM) Summary Sheet		
Recipient	State			
Subrecipient	State County			
Disaster	1234	Project Number	1234.05	
Project Type	Elevation (45 total properties)			
Date	01/01/2014			
FEMA has determined that this project is eligible for Strategic Funds Management. The funding timeline for this project is shown below. This timeline is an estimate, and changes to the funding schedule may become necessary. The Recipient should notify FEMA if there are potential changes to the funding timeline. FEMA requires a minimum of 30 days advance notice to request additional funds through an email or written correspondence.				
Projected Obligation Schedule				
Projected Obligation	Description of Work	HMGP Federal	Non-Federal Funds	Total Funds
01/01/2014	Project Management Fees, Permits, Planning, Design, and Site Prep (45 total properties)	\$610,071.00	\$203,357	\$813,248.00
04/01/2014	Elevation, System Extension, Stabilization, and Displacement Cost (15 of 45 properties)	\$1,206,378.75	\$402,126.25	\$1,608,505.00
07/01/2014	Elevation, System Extension, Stabilization, and Displacement Cost (13 of 45 properties)	\$773,973.75	\$257,991.25	\$1,031,965.00
10/01/2014	Elevation, System Extension, Stabilization, and Displacement Cost (15 of 45 properties)	\$1,707,993.75	\$569,331.25	\$2,277,325.00
10/01/2015 12/21/2014	Elevation, System Extension, Stabilization, and Displacement Cost (2 of 45 properties)	\$580,479.75	\$193,493.25	\$773,973.00

Scenario: These two properties were not ready to obligate on schedule because of the need for additional engineering reviews.

Attachment Four – Advance Assistance Budget and Projected SFM Schedule Example

 FEMA		Hazard Mitigation Grant Program (HMGP) Strategic Funds Management (SFM) Summary Sheet		
Recipient	State			
Subrecipient	State County			
Disaster	1234	Project Number	1234.01	
Project Type	Advance Assistance			
Date	01/01/2014			
FEMA has determined that this project is eligible for Strategic Funds Management. The funding timeline for this project is shown below. This timeline is an estimate, and changes to the funding schedule may become necessary. The Recipient should notify FEMA if there are potential changes to the funding timeline. FEMA requires a minimum of 30 days advance notice to request additional funds through an email or written correspondence.				
Projected Obligation Schedule				
Projected Obligation Dates	Description of Work	HMGP Federal Funds	Non-Federal Funds	Total Funds
1/1/2014	Collect data to prioritize flood reduction actions (elevations/drainage)	\$740,000	\$100,000*	\$840,000
1/1/2014	Project management (contractor) to identify and capture cost share sources and other leverage	\$440,000	\$0	\$440,000
4/1/2014	Review costs and consider environmental alternatives	\$0	\$400,000	\$400,000
7/1/2014	Develop individual projects	\$320,000	\$0	\$320,000
	<i>*Local university donated services to collect flood data</i>			
Project Totals		\$1,500,000	\$500,000	\$2,000,000

