

Strategic Funds Management Instruction

An Update to SOP 9570.24 (12/21/2012)

12/16/2022



FEMA

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INTRODUCTION

The Strategic Funds Management (SFM) process is how FEMA obligates Public Assistance (PA) funding for high dollar projects based on the anticipated timing of Applicant drawdowns. Under SFM, if FEMA approves a non-emergency work project with a federal share greater than \$1 million and the Applicant does not need any funding for more than 180 days, FEMA will obligate funds according to the Applicant's anticipated drawdown schedule, not the date the project is approved.

FEMA implemented SFM in 2012 to improve the management and use of Disaster Relief Fund (DRF) resources consistent with congressional funding and the Budget Control Act of 2011, and to avoid project funding restrictions that may occur under immediate needs funding procedures.

I. Purpose

To provide PA staff with explicit instructions for implementing SFM under the national PA delivery model, this instruction updates *Strategic Funds Management – Implementation Procedures for the Public Assistance Program* (SOP 9570.24, December 21, 2012).

This instruction is organized across two chapters: chapter one establishes baseline information for identifying SFM projects and staff responsibilities; chapter 2 frames the SFM procedure chronologically through project development, based on the seven-phase national model for PA.

II. Audience

The intended audience for this document is all PA staff associated with obligating non-emergency work projects with a federal share of more than \$1 million and subject to SFM. This includes FEMA PA leadership in the field, regional offices, and headquarters Office of Response and Recovery (ORR) and Office of the Chief Financial Officer (OCFO) staff responsible for the Large Project Notification (LPN) queue. Recipients and Applicants with projects identified for SFM should also review this instruction to familiarize themselves with the process for obligation and drawdown of SFM project funding.

More information on the PA national delivery model is available in the *Public Assistance Program and Policy Guide* and the *Program Delivery Guide*.

III. Reference Documents

This instruction references separate documents where applicable and lists them in Appendix B: Reference Documents.

IV. Document Management and Maintenance

FEMA strives to continuously improve the PA Program and encourages feedback on all aspects of the program. FEMA staff may provide best practices, lessons learned, and other feedback regarding this document via PA's continuous improvement platform, the Change Control Tool. SLTT partners may provide best practices, lessons learned, and other feedback regarding this document via the feedback feature in PA Grants Portal or by contacting the PA Grants Portal hotline at 1-866-337-8448. SLTT partners may also contact their FEMA regional PA officer to have a change control ticket submitted. FEMA will review this document every two years and update as necessary.

CHAPTER 1: CRITERIA AND RESPONSIBILITIES

Chapter one establishes the project criteria for SFM, and the roles and responsibilities of FEMA, Recipients, and Applicants for SFM projects.

I. Project Criteria

If a project meets **all** of the following criteria, FEMA is required to obligate it under SFM:¹

- The project is **not** for emergency work
- The **federal share** of the project is greater than \$1 million
- The Applicant indicates it will not need **any** project funding for more than 180 calendar days after obligation

Typically, projects that meet these criteria are state management costs (Category Z) and large facilities with project timelines spanning several years, often under the responsibility of major municipal or state agencies, or public utilities. Please note, an Applicant may anticipate not starting physical work for more than 180 days after project obligation, but still require project funding for planning, design, or permitting activities prior to starting construction; such projects are not subject to SFM.

Federal Share

The assistance FEMA provides through its PA Program is subject to a cost share. The cost share ensures local interest and involvement through financial participation. The Federal share is not less than 75 percent of the eligible costs. FEMA may recommend an increase up to 90 percent if actual Federal obligations, excluding administrative costs, meet or exceed a qualifying threshold.

II. Roles and Responsibilities

SFM is a collaborative process that requires FEMA, Recipients, and Applicants to communicate throughout each phase of PA program delivery to identify potential SFM projects and ensure funding for SFM projects is available when Applicants are ready to drawdown project funding.

FEMA

Infrastructure Branch Directors (IBD), PA Group Supervisors (PAGS), and Program Delivery Task Force Leaders (PDTFL) will review this instruction to better understand their responsibilities and opportunities for limiting unnecessary risk to the DRF through SFM.

¹ SFM does not apply to any judgments awarded in litigation or arbitration, which may immediately create financial liabilities resulting in an obligation for the full amount of the judgment or award.

It is critical PDTFLs share this instruction and discuss SFM with Program Delivery Managers (PDMG), especially those assigned Applicants with significant, high dollar infrastructure projects that may be subject to SFM.

PDMGs that anticipate a project will meet SFM project criteria should discuss the SFM process with both the Recipient and Applicant. Once the PDMG confirms a project will be subject to SFM, the PDMG should notify their PDTFL and the Operations Support Task Force Leader (OSTFL) that a project is subject to SFM and the disaster spend plan may need to be revised to account for the adjusted obligation schedule.

Consolidated Resources Center (CRC) staff formulating or reviewing infrastructure projects identified for SFM must confirm the cost estimate is processed using SFM cost codes.

Regional staff are typically responsible for initiating obligation for SFM projects, as most SFM projects will be scheduled for drawdown after the recovery transition meeting (RTM).

ORR and OCFD staff responsible for the tracking, reviewing, and reporting of projects in the Large Project Notification (LPN) queue are also charged with monitoring, evaluating, and reporting on the implementation and execution of SFM.

Recipients

The Recipient has three primary responsibilities under SFM:

- 1) Providing Applicants with information on SFM, and assisting Applicants with the identification of potential SFM projects
- 2) Supporting Applicants with the submission of SFM drawdown schedule documentation to FEMA
- 3) Notifying Applicants when funds for SFM projects are available for drawdown.

Applicants

If an Applicant has a project that meets the SFM project criteria, it must inform the Recipient and FEMA. After the PDMG confirms a project is subject to SFM, the Applicant must then submit in Grants Portal (GP) a drawdown schedule that identifies when the Applicant anticipates drawing down project funding and initiating planning, design, or project work.

Terminology: Recipients, Subrecipients, and Applicants

When an entity is eligible and applies for PA funding, it is the applicant. Once the applicant receives funding, it is either the recipient or a subrecipient. For simplicity, FEMA uses the term applicant throughout this document when referring to the entity responsible for a project rather than making distinctions between an entity as the applicant, recipient, or subrecipient. FEMA uses the terms recipient and subrecipient when necessary to differentiate between the two entities.

CHAPTER 2: SFM PROCEDURE UPDATE

This chapter outlines the SFM procedure chronologically through project development, based on the seven-phase national model for PA.

I. Phase I – Identify Potential SFM Applicants

FEMA recommends Recipients provide a high-level overview of the SFM process during Applicant briefings, so that Applicants are aware of SFM requirements as they begin initial facility inspections and planning for significant restoration projects.

For FEMA staff, when PAGS assign PDMGs to Applicants they should discuss any Applicants that may have projects that meet the SFM project criteria identified in chapter 1. Examples of Applicants that may have high dollar infrastructure projects with long construction lifecycles include:

- Municipal/State public works entities
- Hospitals
- School districts
- Colleges and universities
- Water/wastewater utilities
- Power generating utilities

The PDMG should discuss SFM project criteria with such Applicants at the recovery scoping meeting (RSM), and explain the potential impact of SFM requirements on project obligation timelines.

II. Phase II – Identify Potential SFM Projects

As a PDMG logically groups eligible impact and damage line items into projects, they may identify an infrastructure project with a potential eligible federal share of more than \$1 million (please note, the federal share should account for anticipated or actual insurance reductions). The PDMG must then contact the Applicant to inform them of SFM requirements and ask if they expect to use project funding within 180 days of the estimated obligation date.

If the Applicant indicates it intends to use project funding within 180 days of obligation, the PDMG should add a note to the Grants Manager (GM) “Project Brief Description” that states the Applicant was informed of SFM requirements but

Estimating the Obligation Date

PDMGs identify potential SFM projects in Phase 2; however, potential SFM projects will be subject to CRC development and reviews, and the Large Project Notification (LPN) queue. Consequently, the project will likely not be ready for obligation for approximately 45 calendar days after the PDMG initially flags it for SFM.

expects to use project funding within 180 days of obligation. From that point, no further SFM-related activities are necessary for that project.

If an Applicant indicates it does **not** anticipate using project funding within 180 days of obligation, the PDMG must take the following steps:

- Walk the Applicant through this instruction to inform them of the SFM process
- Request, via an email to the Applicant and Recipient, that the Applicant upload an estimated drawdown schedule to Grants Portal (GP) that indicates the date the Applicant estimates it will begin using project funding
- To identify this project for SFM, the PDMG should add a statement to the GM “Project Brief Description” that indicates this project will be obligated under SFM
- Inform their PDTFL that they have an Applicant with an SFM project
- Inform the OSTFL of the project information so the disaster spend plan may be adjusted to account for the Applicant’s estimated drawdown of project funding

Except for the above identified steps, the project may proceed to the CRC through the typical project formulation process.

III. Phase III – CRC Formulation and Reviews

When CRC costing or technical specialists begin work on an infrastructure project with an estimated federal share of more than \$1 million, they must check the GM “Project Brief Description” notes to determine if the project has been flagged by the PDMG for SFM.² If the project has been flagged for SFM, CRC staff must formulate the project using the following cost codes:

- 9930 Pending Strategic Fund Management
 - 9930 is the cost code used during initial project formulation to indicate a project is subject to SFM
- 9931 Obligated Strategic Funds Management
 - When the Applicant confirms it is ready to drawdown funding, FEMA staff will amend the project, change the cost code from 9930 to 9931, and obligate the scheduled funding amount under cost code 9931.³

During formulation, if a project increases in value to more than \$1 million federal share, the CRC costing or technical specialist should re-work the project back to the PDMG, so that the PDMG may address SFM requirements with the Applicant and add the appropriate note to the “Project Brief Description.”

² Mitigation and EHP reviews are not affected by SFM.

³ The 9930 and 9931 cost codes are how ORR LPN and OCFO staff track SFM projects, so it is critical that CRC staff use these codes correctly.

CRC Insurance Specialists conduct their typical reviews, including processing any anticipated or actual insurance reductions.

CRC Quality Assurance (QA) staff must confirm two items for projects flagged as SFM:

- After initial eligibility determinations and insurance reductions, the project is still estimated to be over \$1 million federal share
- The correct SFM cost codes are used

If a project flagged for SFM is reduced below \$1 million by eligibility determinations or insurance reductions, the QA specialist must add a GM “Project Brief Description” note explaining the reason the project is no longer subject to SFM, and re-work the project back to the PDMG. The PDMG will then inform the Applicant and Recipient that the project is no longer subject to SFM and will be obligated in full.

After confirming and addressing the above concerns, the project may proceed to final reviews.⁴

IV. Phase IV – LPN and Obligation

Final Reviews and the LPN Queue

After the CRC completes its reviews of an SFM project, the PDMG re-confirms with the Applicant that it will not need any project funding for 180 days of the estimated obligation date. Upon obtaining that confirmation, the PDMG and PAGS complete their final reviews and work with the OSTFL to begin the Large Project Notification (LPN) process.

The OSTFL will work with OCFO and ORR LPN staff to track the project through the Office of Management and Budget (OMB) LPN queue in GM. Then, OCFO will submit information about the project, including the anticipated drawdown schedule, to DHS for congressional review. Once the project clears the DHS LPN queue, the OSTFL will inform the PDMG, who will then inform the Recipient and Applicant that FEMA has completed its initial LPN reviews. The project will remain pending in the SFM queue in GM until the Applicant is ready to drawdown project funding.⁵

Initiating Obligation

30 days before the need to drawdown project funding, the Applicant should inform the Recipient. The Recipient will then submit a request via email to its FEMA point of contact (POC)⁶ to initiate an obligation based on the Applicant’s drawdown schedule.

⁴ Mitigation and EHP reviews are not affected by SFM.

⁵ Projects pending in the SFM queue should be considered complete on project status reports.

⁶ The FEMA POC will be the PDMG for a project still under field/CRC responsibility or, if a project has transitioned back to the region, a POC at the regional office.

The FEMA POC will coordinate with the OCFO and ORR LPN staff to complete the remainder of the LPN process:

- FEMA POC informs OCFO and ORR LPN staff that the Applicant is ready for an obligation under the SFM project
- If the scheduled obligation will be more than \$1 million, OCFO will push the project to the Office of Legislative Affairs (OLA) phase of the LPN process
- OCFO will notify the FEMA POC via GM that the scheduled obligation has completed the LPN process
- The FEMA POC will amend the project, adding the “9931 Obligated Strategic Funds Management” cost code and scheduled obligation amount, then submit the amended project to the relevant delegated authority for final review and obligation.

Once the project is obligated, the Recipient and Applicant may proceed with their typical drawdown and disbursement processes. Please note, depending on the Applicant’s anticipated drawdown schedule, the above process may happen several times for an SFM project until all project funding is obligated.

If you suspect corruption, waste, fraud, abuse, mismanagement, or misconduct contact the [Department of Homeland Security Office of Inspector General](#) hotline or submit a concern online.

APPENDIX A: LIST OF ACRONYMS

Appendix A lists acronyms and associated terms mentioned in this document. For a comprehensive list see the *PA Acronyms and Associated Terms Book*.

C.F.R.	Code of Federal Regulations
DM	Determination Memorandum
LPN	Large Project Notification
OCFO	FEMA Office of Chief Financial Officer
OLA	Office of Legislative Affairs
OIG	Office of Inspector General
OMB	Office of Management and Budget
SFM	Strategic Funds Management

APPENDIX B: AUTHORITIES, DOCUMENTS, AND RESOURCES

Authorities

[Robert T. Stafford Disaster Relief and Emergency Assistance Act \(Public Law 93-288, as amended, 42 United States Code \[U.S.C.\] 5121-5207\), 2018](#)

The Stafford Act authorizes the programs and processes by which the Federal Government provides disaster and emergency assistance to state, local, tribal, and territorial governments, eligible PNP organizations, households, and individuals affected by a declared major disaster or emergency. The Stafford Act covers all hazards, including natural disasters and terrorist incidents.

Regulations

[Title 44 of the CFR, Emergency Management and Assistance](#)

The CFR is a codification of the general and permanent rules and regulations published in the Federal Register that contain basic policies and procedures. Title 44 is titled, “Emergency Management and Assistance,” and Chapter 1 of Title 44 contains the regulations issued by FEMA, including those related to implementing the Stafford Act.

[Title 2 of the CFR, Part 200, Uniform Administrative Requirements](#)

This document provides guidance for non-federal entity Recipients and Applicants of federal financial assistance awarded by FEMA when using that assistance to finance procurements of property and services. The guidance provided by this document only applies to federal financial assistance (e.g., grants and cooperative agreements) subject to the procurement standards of the government-wide uniform administrative requirements, cost principles, and audit requirements for federal awards.

Policy, Manuals, and Instructions

[FEMA Policy 104-009-02, Public Assistance Program and Policy Guide \(PAPPG\), June 2020](#)

FEMA’s *Public Assistance Program and Policy Guide* (PAPPG) defines FEMA’s policy and procedural requirements for the PA Program and is intended to guide decision making and ensure consistent implementation of the PA Program.

The PAPPG can be found at: www.fema.gov/assistance/public/policy-guidance-fact-sheets

FEMA Public Assistance Program Delivery Guide (Operational Draft), March 14, 2022

The *Public Assistance Program Delivery Guide (Operational Draft)* (PDG) describes how the Federal Emergency Management Agency (FEMA) implements the Public Assistance (PA) Program. The guide builds on the principles in the *Incident Management and Support Keystone* (IMSK) and the *Recovery Operations Support Manual* (ROSM), and establishes the framework for Applicant-driven, state-led, and federally supported delivery of PA. The *PA Program Delivery Guide* defines objectives and indicators of successful program delivery, along with Applicant, Recipient, and FEMA roles and responsibilities.

Additional Resources

FEMA Program Delivery Branch, Delivery Toolbox

FEMA's Program Delivery Branch *Delivery Toolbox* contains all resources that FEMA PA staff may need during the grant writing process. Please use the Change Control Tool to submit feedback and comments on documents.

The *Delivery Toolbox* can be accessed on SharePoint at:

<https://usfema.sharepoint.com/sites/ORR/recovery/pad/NewPA/Pages/Delivery-Toolbox.aspx>

FEMA Public Assistance Grants Manager and Grants Portal Tool

The *Grants Manager* and *Grants Portal* tool is a two-part, online platform that is used to formulate and track award packages. Grants Manager is the internal platform used by FEMA specialists, while the Grants Portal is the external platform used by Applicants, Recipients, and Applicants to manage their projects.

The *Grants Manager* Tool can be accessed at:

<https://pagrants.fema.gov/Account/Login?ReturnUrl=%2f>

The *Grants Portal* Tool can be accessed at: <https://grantee.fema.gov>

FEMA Public Assistance Grants Portal and Grants Manager Training, YouTube Channel

Previously-recorded Recipient and Applicant Webinars are available on FEMA's *Grants Manager/Grants Portal* YouTube channel or the Support Center in Grants Manager and Grants Portal. (FEMA also offers regular Grants Manager/Grants Portal training to internal

and external stakeholders. Schedules for internal FEMA employee and contractor micro-trainings (webinars) are distributed by FEMA staff on a regular basis.)

FEMA's training YouTube channel for *Grants Manager* and *Grants Portal* can be accessed at: www.youtube.com/channel/UCIjp91Ds2IaVIR1t8uXcEKg

APPENDIX C: KEY TERMS

Appendix C identifies key terms used in this document.

Applicant

The non-federal entity that receives a subaward from a pass-through entity to carry out part of the FEMA award. It does not include an individual who is a beneficiary of a federal program, but is typically an SLTT or PNP organization. Previously, FEMA used the term “subgrantee,” such as in SOP 9570.24.

Disbursement

A transfer of funding from a Recipient to an Applicant based on an obligated subaward.

Drawdown

A transfer of obligated funding from FEMA to a Recipient.

Grants Manager

GM is the system used by FEMA to manage PA grant applications

Grants Portal

GP is the system used by Applicants and Recipients to manage PA grant applications

Obligate

An obligation is a legal promise by FEMA to pay an amount to a Recipient if it performs in accordance with the subaward. FEMA’s obligation provides a Recipient with an authorized level of funding available for the Recipient to access, but does not transfer funds to the Recipient.

Recipient

The state, territorial, or tribal entity that receives the prime award directly from FEMA to carry out activities under FEMA’s assistance programs. For PA, the Recipient is the pass-through entity for Applicants. Previously, FEMA used the term “grantee,” as in SOP 9570.24.