

London, Sarah

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**From:** Brunette, Timothy [Timothy.Brunette@associates.fema.dhs.gov]  
**Sent:** Wednesday, November 30, 2011 12:50 PM  
**To:** Cassidy, Larry  
**Cc:** Diegel, Archie (CTR); Duchac, Bill; Thomas, Peter  
**Subject:** Waterbury State Office Complex (WSOC) considerations

Hi Larry,

I spoke with Peter Thomas, the environmental and historic preservation (EHP) lead re: the EHP review process and the floodplain issues we spoke about. Peter suggested that Noel Mackay with the State Planning Committee, Community Housing Development, Division of Historic Preservation be contacted so she may be involved with the process and start to assemble the required documentation if she or someone else hasn't done so already. Because of the historical designation of the WSOC, consultation with the State Historic Preservation Officer (SHPO) is also required as a part of the grant approval process. The SHPO may already be involved but I wanted to provide you with this information regardless.

The project worksheets (PWs) for the WSOC will need to undergo a National Environmental Policy Act (NEPA) review. NEPA requires that the decision to fund a PW be made in an informed manner to ensure that agency decision-makers have considered, and the general public is fully informed about, the consequences of a proposed Federal action (the grant). The NEPA review process takes time to complete and requires documentation of the decision making process, including public involvement (meetings, public notices, etc.). At some point, a Decision Document for NEPA will need to be developed in order to complete the review process and approve the grants (PWs) for the WSOC.

Getting everyone involved in the decisions and approval process re: Federal funding opportunities at the WSOC on the same page will prove beneficial and help you maximize your funding options; 404 HMGP, 406 HMP, Alternate and Improved Projects. An org chart to provide a visual representation of who's who and a basic outline of potential projects could be a starting point and something we could routinely share with those involved. I know you have a full plate already so let me know what all I can do to help out on this end. In the mean time, I'll keep working on the narrative to go along with the temporary relocation PW for the hospital.

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**From:** Brunette, Timothy [Timothy.Brunette@associates.fema.dhs.gov]  
**Sent:** Tuesday, November 29, 2011 3:15 PM  
**To:** Tootle, Corliss  
**Cc:** Diegel, Archie (CTR); Duchac, Bill  
**Subject:** Extra Expense question

Hi Corliss,

The State's Extra Expense costs exceed their policy sublimit of \$5M. For budgeting purposes, they need to know how the \$5M will be apportioned between eligible and ineligible costs. Can you please let us know how you plan on addressing this situation? Thx, tjb

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London, Sarah

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**From:** Brunette, Timothy [Timothy.Brunette@associates.fema.dhs.gov]  
**Sent:** Monday, November 21, 2011 6:09 PM  
**To:** Cassidy, Larry  
**Cc:** Duchac, Bill; Diegel, Archie (CTR); Lawson, Lester (CTR)  
**Subject:** State Hospital Temporary Relocation Project Worksheet (PW) - rough draft  
**Attachments:** Excerpts from Temp Relocation Policy.docx; State Hospital PW.docx

Hi Larry,

Here's a rough draft of the PW. The PW will have 3 basic sections; the Damage Description, Scope of Work (SOW) and cost estimate that follows the SOW. I think the damage description is almost there but I'd like you and others to make sure it's complete and tells the story accurately.

The SOW is the most important part of any PW and this one has a long way to go but it's a start. I'll need for you to help me fill in the blanks. The monies spent to date may help us develop the SOW. We'll also need copies of the codes and/or regulations used to determine what was done at Brattleboro and what needs to be done elsewhere. I think we'll also be able to use them to justify why the other locations are substandard and may need to be revisited. Anything else that shows what drove your decisions and what challenges you are still facing can be used to expand on the SOW.

Work to be completed: Again, we will need to identify in the SOW what else will need to be done once the permanent function of the hospital has been restored, where ever and when ever that may be.

The cost estimate should be a piece of cake once we get the SOW nailed down...

I copied parts of the temporary relocation policy into the other document for easy reference so you can get an idea of the hoops we're going to have to jump thru to get this PW funded. The complete policy can be found at the link below.

[http://www.fema.gov/government/grant/pa/9523\\_3.shtm](http://www.fema.gov/government/grant/pa/9523_3.shtm)

I'm thinking I'll be in Burlington Tuesday and Wednesday but I can come to Montpelier if need be, just let me know what works for you. I'll be back in the office Tuesday morning. Let me know if you have any questions. Thx, tjb

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## **Excerpts from Temp Relocation Policy**

### **Applicant's Options for Temporary Facilities:**

Applicants may lease, purchase, or construct eligible temporary facilities. Applicants must use the selected facility to provide the eligible function to the same extent and manner as it was provided prior to the major disaster or emergency. Whichever option is selected, it must be reasonable, cost-effective, and temporary in nature. FEMA will not mandate that the applicant pursue a specific option for a temporary facility, but FEMA will fund only the most cost effective option. FEMA will not fund utilities (power, water, heat, etc.), maintenance, or operating costs, nor will FEMA fund the differential should these costs increase. FEMA will use the following considerations in making a determination on whether to fund a temporary facility.

#### **1. *Cost Comparison***

Based on the preferred alternative, the applicant must supply FEMA with information sufficiently detailed so that a cost comparison can be made by FEMA. This information should consist of at least three proposals that include cost estimates. FEMA will review the estimates and perform a cost comparison to identify the most cost-effective option.

#### **2. *Renting/Leasing Option***

When it is the most-cost effective option, the Applicant can receive Federal disaster assistance from FEMA for the rent of a temporary facility during the eligible time period.

#### **3. *Purchase/Construction Option***

Costs associated with the purchase/construction of a facility to which an applicant will temporarily relocate may be eligible for FEMA assistance if FEMA confirms that it is the most cost-effective option.

- a. With the exception of modular or manufactured units, all proposed purchase/construction options should be submitted in advance to the Assistant Administrator of the Recovery Directorate for review and approval. Before approving a proposal, FEMA may determine whether it is in the best interest of the federal government to impose conditions on the applicant's use and/or disposition of the facility.
- b. Pursuant to 44 CFR Part 13.31 (c)(1) and (2) and Office of Management and Budget Circular A-110, FEMA must be compensated when the authorized temporary relocation time period has ended or the facility is no longer needed by the applicant for the authorized temporary relocation purpose (i.e., the approved scope of work), whichever occurs first. The Applicant may choose to retain the title of the facility or sell it.

1. Whether an Applicant chooses to retain the title of the facility or sell it, as a general rule, if FEMA has paid only a portion of the cost of the facility, FEMA shall be entitled to compensation in an amount equal to FEMA's proportionate equity in the facility. The amount due FEMA will be computed by applying FEMA's percentage of participation in the cost of the purchase/construction to the fair market value or sale proceeds taking into consideration reasonable out-of-pocket costs related to the sale. If an Applicant chooses to dispose real property acquired with Federal funding provided by FEMA and acquires replacement real property under the same funding, the net proceeds of the sale may be used to offset the cost of the replacement property.

### **Eligible and Ineligible Costs**

1. Relocation costs. These are costs associated with the transfer of the eligible pre-disaster service, including equipment and supplies, and costs for necessary modifications to the temporary facility. The allowable costs associated with the provision of temporary facilities include:
  - a. Reasonable alterations of the temporary facility if they are required to make the space functional and meet the pre-disaster needs of the applicant.
  - b. Moving expenses to and from the temporary facility.
  - c. If an applicant uses force account labor and/or equipment to relocate to a temporary facility, the eligibility for straight and overtime labor costs and equipment costs are based on the provisions of 44 CFR § 206.228) **Allowable Costs for emergency work.**
  - d. Minimal life safety or other building upgrades required by an applicable State or local code or standard in effect at the time the temporary facility is acquired (by purchase or lease). For example, a "change in use" could trigger the need for such work.

## State Hospital Temporary Relocation PW

### DAMAGE DESCRIPTION:

The Vermont State Hospital was originally constructed in 1896 to accommodate 400 patients and sits in the 100 year floodplain on a 117 acre campus that is bounded by the Winooski River. Heavy rains from Tropical Storm Irene caused the Winooski River to overtop its banks and inundate the Waterbury State Office Complex (WSOC) to a maximum depth of 6' 9" which caused a loss of heat and electricity to all buildings on campus. All buildings at the WSOC were occupied at the time of the disaster.

The WSOC is on the national historic register as part of Waterbury Village Historic District. The hospital consists of interconnected buildings that house the kitchen, dining room, laundry, support services and staff all served by a series of corridors and tunnels. Over the years the existing buildings were reconfigured to accommodate a smaller patient population. Other State Agencies occupied the new buildings as they were built and the sections of the hospital that had been vacated when the hospital was downsized. The Brooks Building, constructed in 1938, was inundated to a depth of 6' 8" and was being used to house 52 patients at the time of the flood. The Old Storehouse building, constructed in 1919, was inundated to a depth of 6' 6" and was occupied by the Administration and Operations staff consisting of xx employees. The Kitchen and Dining Room were inundated to a depth of 5' 8" and 4' 9" respectively.

The State Hospital was evacuated in order to protect the health and safety of the patients and staff. The State Hospital provides an essential community service and qualifies for temporary relocation in accordance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act, Section 403 (a)(3)(D) which allows for the provision of temporary facilities for essential community services, when it is related to saving lives and protecting and preserving property or public health and safety.

The Applicant has submitted a time extension request for 12 months through the Governor's Authorized Representative (GAR) for FEMA approval in accordance with the requirements of 44 CFR §206.204(c)(2)(ii) and (d) because the restoration of the function of the State Hospital will exceed the six months allowed for emergency protective measures as described in 44 CFR §206.204(c)(1).

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## SCOPE OF WORK:

### Completed Work:

Provide transportation and treatment facilities for 52 mental health patients. No single source (hospital or treatment center) was available to house all 52 patients which in turn required them to be relocated at various locations throughout the State. Because of the specialized nature of the facilities required to provide for the safety of the patients and staff as well as administering the proper care of mentally ill patients, the Brattleboro Retreat was retrofitted to accommodate a maximum of 15 patients because of space limitations.

Because of the excessive commuting distance from the State Hospital to the Brattleboro Retreat, temporary housing accommodations were provided for xx staff members which consisted of ?? hotel rooms from xx/xx/2011 and then a house from xx/xx/2011.

Retrofitting the Brattleboro Retreat to accommodate the special needs of mentally ill patients was done in accordance with (explain codes or standards used)

Of the 37 remaining patients, xx were housed here, xx were housed there and xx were housed somewhere.

### Work to be completed:

Transport ?? patients to the new facilities.

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**From:** Brunette, Timothy [Timothy.Brunette@associates.fema.dhs.gov]  
**Sent:** Thursday, November 17, 2011 12:18 PM  
**To:** Cassidy, Larry; Diegel, Archie (CTR)  
**Cc:** Portalupi, Alec; Duchac, Bill; Lawson, Lester (CTR)  
**Subject:** HMP ideas  
**Attachments:** Hazard Mitigation Opportunities at the Waterbury State Office Complex.docx

Hi Larry and Archie,

Attached please find some ideas re: mitigation opportunities. I've provided this so we can get a dialog started with the folks responsible for planning and designing the restoration work at Waterbury involved in the HMP process. Please feel free to comment and share it with others so we can form a game plan and start collecting the needed documentation. Thanks!

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# Hazard Mitigation Opportunities at the Waterbury State Office Complex (WSOC)

## Public Safety Department (PSD) Building:

### Dual primary electrical feeds

1. Determine all costs involved with relocating PSD staff & equipment because of loss of power.
2. Identify costs to provide dual power feeds to the building with the related equipment, i.e. automatic transfer switchgear.

### Flood-door where tunnel enters the building

1. Determine cost of flood damages from water entering building via the tunnel.
2. Identify costs for temporary relocation.
3. Estimate costs for a submarine style door at tunnel entrance.

## Building A:

### Relocation of the call center servers to the 3<sup>rd</sup> floor of the Public Safety Building

1. Determine costs to restore the server equipment to its pre-disaster condition.
2. Identify temp relocation costs, if any.
3. Document actual costs to restore then relocate the servers to the 3<sup>rd</sup> floor of the PSD building.

## Boiler House:

### Elevation of the standby generator

1. Determine the cost to replace the generator; preliminary estimates are \$350K - \$500K plus labor to install.
2. Identify costs to provide temporary power in lieu of using standby generator.
3. Estimate costs to elevate generator and radiator and construct access platforms; preliminary estimate \$50K.

### Elevation of the boilers

1. Determine costs to repair boilers to pre-disaster condition.
2. Identify costs to provide temporary heat to the WSOC campus.
3. Estimate the cost to provide temporary heat to the WSOC campus via portable boilers.
4. Perform a cost comparison between temp boiler repairs and portable boilers to justify repairs to the boilers as the least cost alternative for emergency measures to restore heat to the campus (Cat B work).
5. Estimate the cost of elevating the boilers.

Dry-flood proofing the entire building

1. Identify the cost of all flood damage repairs inside the building.
2. Identify all Cat B costs caused by the Boiler House being flooded.
3. Design and estimate the cost of a flood containment system for the entire building.

All WSOC Buildings:

Elevation of the electrical panels and heating controls/equipment

1. Estimate costs to repair electrical equipment and heating controls/equipment to pre-disaster condition for each building.
2. Determine costs to provide temp electrical and heating service per building.
3. Estimate the costs to relocate electrical and heating equipment to the upper floors per building.

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**From:** Brunette, Timothy [Timothy.Brunette@associates.fema.dhs.gov]  
**Sent:** Wednesday, November 16, 2011 1:35 PM  
**To:** Duchac, Bill  
**Subject:** HMP opportunities at Waturbury  
**Attachments:** Hazard Mitigation Opportunities at the Waterbury State Office Complex.docx

Hi Bill,

Here's a brief outline re: the HMP ideas we spoke about. Please take a look at it and let me know what it needs before getting it in front of Archie and Larry so they can use it to get some dialog going. Thanks!

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# Hazard Mitigation Opportunities at the Waterbury State Office Complex (WSOC)

## Public Safety Department (PSD) Building:

### Dual primary electrical feeds

1. Determine all costs involved with relocating PSD staff & equipment because of loss of power.
2. Identify costs to provide dual power feeds to the building with the related equipment, i.e. automatic transfer switchgear.

### Flood-door where tunnel enters the building

1. Determine cost of flood damages from water entering building via the tunnel.
2. Identify costs for temporary relocation.
3. Estimate costs for a submarine style door at tunnel entrance.

## Building A:

### Relocation of the call center servers to the 3<sup>rd</sup> floor of the Public Safety Building

1. Determine costs to restore the server equipment to its pre-disaster condition.
2. Identify temp relocation costs, if any.
3. Document actual costs to restore then relocate the servers to the 3<sup>rd</sup> floor of the PSD building.

## Boiler House:

### Elevation of the standby generator

1. Determine the cost to replace the generator; preliminary estimates are \$350K - \$500K plus labor to install.
2. Identify costs to provide temporary power in lieu of using standby generator.
3. Estimate costs to elevate generator and radiator and construct access platforms; preliminary estimate \$50K.

### Elevation of the boilers

1. Determine costs to repair boilers to pre-disaster condition.
2. Identify costs to provide temporary heat to the WSOC campus.
3. Estimate the cost to provide temporary heat to the WSOC campus via portable boilers.
4. Perform a cost comparison between temp boiler repairs and portable boilers to justify repairs to the boilers as the least cost alternative for emergency measures to restore heat to the campus (Cat B-work).
5. Estimate the cost of elevating the boilers.

### Dry-flood proofing the entire building

1. Identify the cost of all flood damage repairs inside the building.
2. Identify all Cat B costs caused by the Boiler House being flooded.
3. Design and estimate the cost of a flood containment system for the entire building.

### All WSOC Buildings:

#### Elevation of the electrical panels and heating controls/equipment

1. Estimate costs to repair electrical equipment and heating controls/equipment to pre-disaster condition for each building.
2. Determine costs to provide temp electrical and heating service per building.
3. Estimate the costs to relocate electrical and heating equipment to the upper floors per building.

London, Sarah

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**From:** Brunette, Timothy [Timothy.Brunette@associates.fema.dhs.gov]  
**Sent:** Thursday, November 10, 2011 8:10 AM  
**To:** Duchac, Bill  
**Subject:** RE: Hazard mitigation funding opportunities

It is my understanding it is 15% of the assistance given less the administrative costs. Big difference re: Waterbury's contribution to the funds available...

Timothy J Brunette (CTR)

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Personal Cell [REDACTED]

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**From:** Duchac, Bill [mailto:bill.duchac@state.vt.us]  
**Sent:** Thursday, November 10, 2011 7:56 AM  
**To:** Brunette, Timothy  
**Subject:** RE: Hazard mitigation funding opportunities

Clarification please.

The State manages the 404 HMGP and is responsible for soliciting applications from eligible Applicants. The total amount of available assistance is derived through a formula based on **15% of the aggregate assistance given to the State** for each disaster.

Is it 15% of the assistance given or 15% of the (FEMA) eligible damages? Waterbury by example is a 50m loss and 15% of that is 7.5m. But the aggregate assistance is likely to be in the 5m to 10m range or 1.5m max. Slightly different results.

thanks

Bill Duchac  
bill.duchac@state.vt.us

[REDACTED] Direct 802 828-1269 Facsimile [REDACTED] Mobile

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**From:** Brunette, Timothy [mailto:Timothy.Brunette@associates.fema.dhs.gov]  
**Sent:** Wednesday, November 09, 2011 4:46 PM  
**To:** john.olstrum@state.vt.us; dave.burly@state.vt.us; Cassidy, Larry  
**Cc:** Duchac, Bill; Rousseau, Paul; Diegel, Archie (CTR)  
**Subject:** Hazard mitigation funding opportunities

Greetings,

The attached files are for your reference in an effort to assist you in taking advantage of the funding available for hazard mitigation measures following Tropical Storm (TS) Irene. The MS Word document contains general information with links to the 406 Hazard Mitigation Policy, the PA Guide along with my contact information and 404 Hazard Mitigation Grant Program (HMGP) contacts.

The Burnham Hall document was provided by a citizen and contains a local success story in flood proofing a historic building that survived TS Irene's flooding along with contact and vendor information.

The other pdf file is FEMA Disaster Assistance Policy (DAP) 9525.9 *Section 324 Management Costs and Direct Administrative Costs* that has been highlighted to correspond with the specific recordkeeping requirements for your projects. FEMA DAP 9525.6, *Project Supervision and Management Costs of Subgrantees* should also be of interest and can be found at: [http://www.fema.gov/government/grant/pa/9525\\_6.shtm](http://www.fema.gov/government/grant/pa/9525_6.shtm) Additional information can be found at <http://www.fema.gov/government/grant/pa/9500toc.shtm>

I am looking forward to assisting you with the development of your sub-grant applications, [the Project Worksheets (PWs)] and your 406 Hazard Mitigation Proposals (HMPs). Bill Duchac has provided me an office on the 3<sup>rd</sup> floor of 10 Baldwin St so that I can work closely with those involved in the recovery efforts. Feel free to contact me if I can be of service and/or provide guidance with the development of your PWs and HMPs.

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**From:** Brunette, Timothy [Timothy.Brunette@associates.fema.dhs.gov]  
**Sent:** Wednesday, November 09, 2011 4:46 PM  
**To:** john.olstrum@state.vt.us; dave.burly@state.vt.us; Cassidy, Larry  
**Cc:** Duchac, Bill; Rousseau, Paul; Diegel, Archie (CTR)  
**Subject:** Hazard mitigation funding opportunities  
**Attachments:** FEMA VT HMP INFO\_v1.docx; Burnham Hall HMP.pdf; 9525\_9 DAC\_highlight.pdf

Greetings,

The attached files are for your reference in an effort to assist you in taking advantage of the funding available for hazard mitigation measures following Tropical Storm (TS) Irene. The MS Word document contains general information with links to the 406 Hazard Mitigation Policy, the PA Guide along with my contact information and 404 Hazard Mitigation Grant Program (HMGP) contacts.

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I am looking forward to assisting you with the development of your sub-grant applications, [the Project Worksheets (PWs)] and your 406 Hazard Mitigation Proposals (HMPs). Bill Duchac has provided me an office on the 3<sup>rd</sup> floor of 10 Baldwin St so that I can work closely with those involved in the recovery efforts. Feel free to contact me if I can be of service and/or provide guidance with the development of your PWs and HMPs.

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## FEMA HAZARD MITIGATION INFORMATION

The following information is being provided to start a dialog to promote a better understanding of the funding available from FEMA for hazard mitigation measures following Tropical Storm Irene so as to maximize and coordinate the State's recovery efforts and minimize damages from future flooding events.

### GENERAL OVERVIEW:

There are two types of hazard mitigation funding authorized by Sections 404 and 406 of the Stafford Act. Section 404 is the Hazard Mitigation Grant Program (HMGP). Grant funds available under Section 404 provide States with the incentive and capability to implement mitigation measures that previously may have been infeasible. The main purpose of the HMGP is to ensure that the opportunity to take critical mitigation measures to protect life and property from future disasters is not lost during the recovery and reconstruction process following a disaster. The 404 HMGP is not a part of the Public Assistance (PA) program.

The State manages the 404 HMGP and is responsible for soliciting applications from eligible Applicants. The total amount of available assistance is derived through a formula based on 15% of the aggregate assistance given to the State for each disaster. Projects submitted to the State must be in keeping with the State's hazard mitigation plan, address severe detrimental impacts, and have the greatest potential to reduce future losses. Eligible projects include acquisition of hazard-prone property, retrofitting existing buildings and facilities, elevation of flood prone structures, infrastructure protection measures, and nonstructural measures such as planning and the purchase of equipment.

Hazard Mitigation under Section 406 of the Stafford Act is a discretionary funding source delivered through the PA program for cost-effective measures that would reduce or eliminate the threat of future, similar damage to a facility. The mitigation measures *generally* must apply only to the damaged elements of a facility rather than to other, undamaged parts of the facility. FEMA Disaster Assistance Policy (DAP) 9526.1, *Hazard Mitigation Funding Under Section 406 (Stafford Act)* provides additional guidance and can be found at [DAP 9526.1](#).

Hazard mitigation measures, by their nature restore a facility beyond its pre-disaster design. Section 406 mitigation measures are considered part of the total eligible cost of repair, restoration, or reconstruction of a facility. They are limited to permanent work only. The Applicant may not apply mitigation funding to improved projects *if* a new replacement facility is involved or; if combining damaged facilities, the mitigation funding approved for an initial location does not move to the new location. Alternate Projects are not eligible for 406 funding. Upgrades required to meet applicable codes and standards are not considered "mitigation measures" because these measures are part of eligible restoration work (not discretionary funding). A 406 Hazard Mitigation Proposal (HMP) is included in a Project Worksheet (PW), the sub-grant application.

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#### 406 HAZARD MITIGATION BASICS:

All HMPs require review and approval by FEMA to determine at a minimum if they relate to the damaged elements and cause of damage, are technically feasible, meet environmental and historic preservation compliance and are cost effective. See DAP 9526.1 Paragraph VII

The Applicant alone determines which mitigation measures are best suited for their facilities. FEMA does not provide engineering services for a HMP but may assist in suggesting appropriate mitigation measures. However, FEMA will play an active role in assisting with the process if asked by the Applicant. See PA Guide- Hazard Mitigation and DAP 9526.1 Appendix A for more information and the types of mitigation projects FEMA has pre-determined to be cost-effective.

FEMA alone determines the eligibility of all sub-grant requests (PWs) and 406 Hazard Mitigation Proposals. Cost-effectiveness alone does not automatically mean a HMP is eligible for FEMA funding

#### 404 RESOURCES:

State of Vermont 404 HMGP

Mr. Ray Doherty, Vermont Emergency Management Agency-DPS

103 S. Main Street, Waterbury, VT 05671

Phone: [REDACTED]

Fax (802) 241-5556

Email: [rdoherty@dps.state.vt.us](mailto:rdoherty@dps.state.vt.us)

Web Page: [www.dps.state.vt.us/](http://www.dps.state.vt.us/)

Elaine McNeil

FEMA Region I - Lead for the HMGP for Vermont

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[Elaine.McNeil@fema.dhs.gov](mailto:Elaine.McNeil@fema.dhs.gov)

#### 406 RESOURCES:

Timothy Brunette (CTR)

FEMA Project Specialist

Technical Assistance Contractor, AECOM

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August 27-29, 2011 Burnham Hall Floodproofing Deployment, Lincoln, VT  
Report to:

Ray Doherty, State Hazard Mitigation Officer  
Vermont Emergency Management  
103 South Main Street  
Weeks Building/State Office Complex  
Waterbury, VT 05671

[rdoherty@dps.state.vt.us](mailto:rdoherty@dps.state.vt.us)

Don R. Boyce, Regional Administrator  
Department of Homeland Security  
FEMA Region 1  
99 High Street  
Boston, MA 02110

[don.boyce@dhs.gov](mailto:don.boyce@dhs.gov)

On Saturday August 27<sup>th</sup>, Hurricane Irene headed for Vermont, with heavy rains predicted for Lincoln. Flash floods were predicted. This is precisely the situation our community center had prepared for with pre-disaster grant assistance from Vermont Emergency Management and FEMA [1, 2]. We did not want a repeat of the disastrous Flood of '98.



At 5:00 pm, it was still a sunny afternoon in Lincoln. A group of eleven community members deployed the gasketed aluminum plank flood protection barriers over the windows and doors of our town community center, Burnham Hall.

The rain arrived during the night and continued during Sunday at a fast and furious pace. Local rain gauges registered between 6 and 8 inches.

The New Haven River rose quickly, flooding its banks, then the lawn of Burnham Hall, and then up the walls to a level 47 inches above the floor level.

The planks held tight. Water and mud were kept out of the building. The river raged by. The rip-rap bank held fast. The pressure of nearly four feet of water outside the building actuated the floor hydrostatic pressure protection valves, to keep the floor from buckling upward. A small amount of sand-filtered water came in by design through these valves, and was easily handled by the sump pump system. Power failure during the afternoon, necessitated bringing a generator on-line to keep the sump pump operating.

By Monday, the river was down and clean up and mop up started. A great sense of relief was had by all that the inside of the building had been protected!



[1] FMA06 Sub-Grant Number - 02140-31036-001-FMA06  
[2] PDMC07 Sub-Grant Number - 02140-31226-001-PDMC07



Subject	Company	Contact
Burnham Hall	Walter S. Burnham Committee	Brian McDonough brianmcd@gmavt.net
Grant Assistance	Vermont Emergency Management	Ray Doherty rdoherty@dps.state.vt.us
Barrier Design and Manufacture	Flood Corporation of America	George Fryklund georgefryklund@comcast.net
Barrier Installation	Mill Bridge Construction	John Tenny jtenny@millbridgeconstruction.com
Structural and Hydrostatic Considerations	Engineering Ventures	Russ Miller-Johnson russmj@engineeringventures.com
Pop-up Valve Flow Considerations	Lincoln Applied Geology	Steve Revell srevell@lagvt.com
Architectural Considerations	Thompson Architects	Tommy Thompson thompsonarchitects@gmavt.net



## Section 324 Management Costs and Direct Administrative Costs

### *Disaster Assistance Policy 9525.9*

#### I. TITLE: Section 324 Management Costs and Direct Administrative Costs

#### II. DATE: March 12, 2008

#### III. PURPOSE:

The purpose of this policy is to identify section 324 management costs and other grant management and administrative costs that are eligible under the Public Assistance (PA) Program and to clarify the process through which grantees and subgrantees can request reimbursement for these costs.

#### IV. SCOPE AND AUDIENCE:

The policy is applicable to all major disasters and emergencies declared on or after November 13, 2007. It is intended for personnel involved in the administration of the PA Program.

#### V. AUTHORITY:

Section 324 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), 42 U.S.C. 5165b, and 44 Code of Federal Regulations (CFR) Part 13, §206.207, §206.228, and Part 207.

#### VI. BACKGROUND:

The Disaster Mitigation Act of 2000 (P.L. 106-390) amended the Stafford Act by adding section 324 "Management Costs." In that section, Congress directed the Federal Emergency Management Agency (FEMA) to promulgate regulations that establish management cost rates and require that until the management cost regulation is published the associated expense percentages in section 406(f) of the Stafford Act apply to management costs. On October 11, 2007, FEMA published the *Management Costs* interim final rule (72 FR 57869) that established the management costs rates for emergencies and major disasters. The interim final rule went into effect on November 13, 2007. With publication of the interim final rule, section 406(f) of the Stafford Act, *Associated Expenses*, does not apply to disasters and emergencies declared on or after November 13, 2007.

#### VII. POLICY:

##### A. Definitions:

1. *Chief Financial Officer (CFO)* is the senior financial FEMA representative.
2. *Direct Administrative Costs* are costs incurred by the grantee or subgrantee that can be identified separately and assigned to a specific project. (See 44 CFR §207.6 (c)) In accordance with OMB Circular No. A-87, treatment of direct costs must be consistent across all Federal awards and other activities of the grantee or subgrantee. Such costs can include staff's time to conduct an initial inspection, prepare and submit a Project Worksheet (PW), and make interim and final

inspections of the project.

3. *Indirect Costs* are costs a grantee or subgrantee incurs for a common or joint purpose benefiting more than one cost objective that are not readily assignable to the cost objectives specifically benefited. (See 44 CFR §207.2)
4. *Lock-in* is the amount of management cost funds available to a grantee for a particular major disaster or emergency. (See 44 CFR §207.2)
5. *Management Costs* are any indirect costs, administrative expenses, and any other expenses that a grantee or subgrantee reasonably incurs in administering and managing the PA grant that are not directly chargeable to a specific project. (See 44 CFR §207.2)
6. *Pass-through funds* are the percentage or amount of management costs that the grantee determines it will make available to subgrantees. (See 44 CFR §206.207(b)(1)(iii)(K))

**B. Eligibility:**

1. Only PA grantees with PA grants awarded pursuant to major disasters and emergencies declared by the President on or after November 13, 2007, are eligible to apply to FEMA for section 324 management costs.
2. FEMA will reimburse section 324 management costs on a category Z PW in an amount not to exceed 3.34 percent of the Federal share of projected eligible program costs, not including direct Federal assistance, for major disaster declarations and 3.90 percent of the Federal share of projected eligible program costs, not including direct Federal assistance, for emergency declarations. The amount of funding available for section 324 management costs cannot exceed the amount as calculated in accordance with 44 CFR §207.5(b)(4).
3. Requests for and documentation of section 324 management costs must comply with 44 CFR Part 207 and be addressed in the grantee's approved State Administrative Plan for PA. (See 44 CFR §206.207(b))
4. In addition to section 324 management costs, FEMA will reimburse direct administrative costs incurred by grantees and subgrantees that are properly documented and directly chargeable on a PW for a specific project. Actual costs must be reasonable for the work performed and accounted for in accordance with 44 CFR §13.22 - Allowable Costs. (See 44 CFR §207.6(a) and (c)) A cost cannot be assigned to a PA project as a direct administrative cost if similar costs incurred for the same purpose in like circumstances have been allocated to indirect costs.
5. Although grantees and subgrantees are responsible for the grant management and administrative requirements in 44 CFR parts 13, 206, and 207, grantees and subgrantees are not required to request section 324 management costs, nor are they required to seek reimbursement for direct administrative costs.

**C. Section 324 Management Costs:**

1. An approved State Administrative Plan must be on file with FEMA before PA grants will be approved. (See 44 CFR §206.207(b)(3))
2. The grantee must amend its State Administrative Plan to include procedures for determining the reasonable amount or percentage of section 324 management costs that it will pass-through to the subgrantee, as well as closeout and audit procedures before FEMA will obligate any section 324 management costs. (See 44 CFR §207.4(c) and §207.7(b)) It is entirely up to the State to determine how much if any management costs it will pass-through to the subgrantee. FEMA has not established any minimum or maximum for what constitutes a reasonable amount.
3. If a State and Native American Tribe both serve as grantees, then each is eligible for section 324 management costs. (See 44 CFR §207.2)
4. The CFO determines the lock-in amount for section 324 management costs at 30, 35 days (preliminary lock-in), six months (interim lock-in), and 12 months (final lock-in) from the date of the declaration. (See 44 CFR §207.5(b))
  - a. The lock-in amount is 100 percent Federally funded.
  - b. The lock-in amount is capped at \$20 million for a single declaration, unless the CFO approves an exception. (See 44 CFR §207.2 and §207.5(d))
  - c. The CFO informs the Regional Office of the lock-in amount and the Regional Office informs the grantee of the lock-in amount.
5. In order to receive section 324 management costs funding, the grantee must request it upon notification of the preliminary lock-in (initial funding request) and upon notification of the final lock-in (final funding request). (See 44 CFR §207.7(c) and (f)) The grantee may request interim funding upon notification of the interim lock-in (interim funding request). (See 44 CFR §207.7(e))
6. The grantee will submit its initial section 324 management costs funding request to the Regional Administrator using a PA PW. Upon receipt of the PW and in accordance with 44 CFR §207.7(b) and (c), the Regional Office will obligate 25 percent of the estimated lock in amount. (See 44 CFR §207.5(b)(1) and 44 CFR §207.6(c)) To simplify processing and tracking, *Standard Project 853- Section 324 Management Costs* has been established in the National Emergency Information Management System (NEMIS) and the Emergency Management Mission Integrated Environment (EMMIE). The PW will be processed under category Z.
7. The grantee must abide by the requirements of 44 CFR §207.7(d). The grantee must submit documentation no later than 120 days after the date of the declaration to support costs and activities for which the projected lock-in amount will be used.
  - a. The documentation must include:
    - i. A description of activities, personnel requirements, and other costs for which the grantee will use section 324 management costs funding throughout the disaster;

- ii. The grantee's plan for expending and monitoring the funds provided and ensuring sufficient funds are budgeted for grant closeout; and
    - iii. An estimate of the reasonable percentage or amount of pass-through funds the grantee will make available to subgrantees, including the basis, criteria, or formula for determination.
  - b. In extraordinary circumstances, the grantee may request to submit the required documentation after 120 days. The request for additional time must be made to the Regional Administrator within the 120-day period. The Regional Administrator will respond to the time extension request within 30 days.
  - c. The Regional Office will approve or reject the documentation for eligible costs and activities within 30 days of receiving it.
  - d. If documentation is rejected, the grantee will have 30 days from the date of the rejection letter to resubmit it for reconsideration and approval. The Regional Office will not obligate the balance of the section 324 management costs lock-in until the grantee's documentation is approved.
8. If the grantee can justify a bona-fide need for an interim obligation at six months, the grantee may submit a request to the Regional Administrator. An interim obligation will not exceed 10 percent of the six-month lock-in amount. The grantee will submit written justification, including a version/amendment of the section 324 management costs PW, to the Regional Administrator. The Regional Administrator will forward his/her recommendation to the CFO for approval. (See 44 CFR §207.5(d) and §207.7(e))
9. After notification of the final lock-in amount, the grantee must submit a final section 324 management costs request, including a version/amendment of the section 324 management costs PW, to the Regional Administrator. The Regional Office will make the final obligation of the remaining lock-in funding. (See 44 CFR §207.7(f)) The grantee should drawdown these funds in accordance with 44 CFR §13.21 - *Payment*.
10. Final payment of section 324 management costs is based on actual costs incurred.
11. The grantee can submit a written request to the Regional Administrator to change the amount of the lock-in or the cap, or the time at which lock-in amount is determined. The Regional Administrator will forward his/her recommendation to the CFO for approval. (See 44 CFR §207.5(d))
12. The grantee can expend section 324 management costs funds for allowable costs for a maximum time of (See 44 CFR §207.8(b)(1) and (2)):
- a. Eight years from the date of a major declaration, or 180 days after the latest performance period of a non-management cost PA PW, whichever is sooner.
  - b. Two years from the date of an emergency declaration, or 180 days after the latest performance period of a non-management cost PA PW, whichever is sooner.



13. The grantee can submit a written justification for an extension on the period of availability to the Regional Administrator. The Regional Administrator will forward his/her recommendation to the CFO for approval. The additional time is limited to no more than 180 days after the expiration of any performance period extensions granted under PA for project completion of a non-management cost PA PW. (See 44 CFR §207.8(b)(3))
14. FEMA will de-obligate any funds not liquidated by the grantee in accordance with 44 CFR §13.23. (See 44 CFR §207.8(b)(3))
15. The grantee must provide section 324 management cost quarterly progress reports to the Regional Administrator. (See 44 CFR §207.8(c))

**D. Direct Administrative Costs:**

1. Direct administrative costs include costs that can be tracked, charged, and accounted for directly to a specific project, such as staff time to complete field inspection and preparation of a PW. Direct costs are limited to actual reasonable costs incurred for a specific project. Such costs will be considered project costs.
2. A grantee or subgrantee cannot direct charge costs to a PA project that are considered indirect costs for any other Federal award or activity of the grantee or subgrantee or if similar costs incurred for the same purpose in like circumstances have been allocated to indirect costs. (See OMB Circular No. A-87, Attachment A.) Indirect costs are considered to be eligible section 324 management costs.
3. If a project is completed when the PW is prepared, actual direct administrative costs (labor, equipment, or other expenses) will be included in the PW for the subgrantee and the grantee's direct administrative costs will be included in separate category Z PW (See D.7). The summary of the actual costs will be attached to the PW.
4. If a project is not completed when the PW is prepared, an estimate of direct administrative costs that can be separately identified to the project will be included in the PW. An estimate of direct administrative costs, such as labor and equipment costs and other expenses, will be attached to the PW. These estimated costs cannot be based on a percentage of project costs.
5. Direct administrative costs are cost-shared at the prevailing cost-share rate for the declaration. They are cost-shared because they are part of a specific project.
6. Subgrantee:
  - a. The following text should be entered into each project's scope of work to describe the subgrantee's direct administrative costs:  
*"The subgrantee is requesting direct administrative costs that are directly chargeable to this specific project. Associated eligible work is related to administration of this PA project only and in accordance with 44 CFR §13.22. These costs are treated consistently and uniformly as direct costs in all Federal awards and other subgrantee activities and are not included in*

*any approved indirect cost rates."*

- b. The following **line item cost code** should be entered in the project cost: **"9901 - DIRECT ADMINISTRATIVE COSTS (SUBGRANTEE)"**
- c. Final payment of direct administrative costs on large projects will be based on actual costs incurred, in accordance with 44 CFR §206.205(b).
- d. Final payment of direct administrative costs on small projects will be paid to the grantee upon approval, in accordance with 44 CFR §206.205(a).

7. Grantee:

- a. The grantee may document its direct administrative costs on a separate category Z PW for each project. The grantee will not claim direct administrative costs for multiple individual projects on a single category Z PW.
- b. Each direct administrative cost category Z PW will use the **Standard Project 854 Direct Administrative Costs (Grantee)**.
- c. The scope of work should include the subgrantee's name, PA ID number, and cross reference to the associated work project PW.
- d. The following text should be entered into the project's scope of work:  
*"The grantee is requesting direct administrative costs that are directly chargeable to this specific project. Associated eligible work is related to administration of this PA project only and in accordance with 44 CFR §13.22. These costs are treated consistently and uniformly as direct costs in all Federal awards and other grantee activities and are not included in any approved indirect cost rates."*
- e. The following **line item cost code** should be entered in the project cost as a lump sum costs: **"9902 - DIRECT ADMINISTRATIVE COSTS (GRANTEE)"**
- f. Final payment of direct administrative costs on large projects will be based on actual costs incurred, in accordance with 44 CFR §206.205(b).
- g. Final payment of direct administrative costs on small projects will be paid to the grantee upon approval, in accordance with 44 CFR §206.205(a).
- h. A category Z PW with an estimate less than \$1,000 is not eligible.

VIII. **RESPONSIBLE OFFICE:** Disaster Assistance Directorate (Public Assistance Division).

IX. **SUPERSESSION:** Not applicable.

X. **ADDITIONAL INFORMATION:** Copies of this policy, the Management Costs interim rule, all public comments received, and additional information may be found on the docket for the Management Costs rulemaking. The docket can be found at [www.regulations.gov](http://www.regulations.gov) under

Docket ID: FEMA-2006-0035.

- XI. **REVIEW DATE:** This policy will be reviewed, but will not automatically terminate, 3 years from date of publication or upon publication on the Management Costs final rule.

*//signed//*

Carlos J. Castillo

Assistant Administrator

Disaster Assistance Directorate

**Disaster Assistance Policy 9525.9 - Section 324 Management Costs and Direct Administrative Costs (PDF 2.58 MB)**

London, Sarah

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**From:** Brunette, Timothy [Timothy.Brunette@associates.fema.dhs.gov]  
**Sent:** Wednesday, November 09, 2011 2:14 PM  
**To:** Rousseau, Paul  
**Cc:** Duchac, Bill  
**Subject:** FEMA Policies  
**Attachments:** 9525\_6\_PM\_Costs.pdf; 9525\_9\_DAC\_highlight.pdf

Hi Paul,

I've attached 2 policies you may find helpful re: identifying the types of management costs that are eligible for FEMA reimbursement. I've highlighted sections of the 324 Direct Administrative Cost policy that pertain to your situation as a sub-grantee. Please let me know if you have any questions or if I can provide anything else from this end.

Timothy J Brunette (CTR)  
FEMA 4022 DR VT  
ERPMC, Project Specialist  
Public Assistance - 2nd Floor  
128 Lakeside Ave.  
Burlington, VT 05401  
Cell [REDACTED]  
Personal Cell [REDACTED]  
[Timothy.Brunette@associates.fema.dhs.gov](mailto:Timothy.Brunette@associates.fema.dhs.gov)



FEMA

## 9525.6 Project Supervision and Management Costs of Subgrantees

1. **Date Published:** April 22, 2001
2. **Response and Recovery Policy Number:** 9525.6
3. **Title:** Project Supervision and Management Costs of Subgrantees
4. **Purpose:** This policy provides guidance in determining the eligibility of project supervision and management activities of subgrantees.
5. **Scope and Audience:** This policy is applicable to all major disasters and emergencies declared on or after the publication date of this policy. This policy is intended for Federal Emergency Management Agency (FEMA) personnel in making eligibility determinations for the Public Assistance Program.
6. **Background:** Subgrantees have several types of eligible supervisory and management costs that serve different purposes and need to be identified and claimed separately. Commingling of the various costs and claiming them incorrectly may result in loss of eligible reimbursement for the subgrantees. This policy clarifies the eligibility of the various project supervision and management activities and how to account for the cost. It supplements the provisions of 44 CFR 206.228 on allowable costs and RR Policy #9525.7, *Labor Costs - Emergency Work*.
7. **Policy:**
  - A. **Supervision and Management of Force Account Work.** Regular-time of a subgrantee's employees for direct supervision of force account employees performing eligible *emergency work* generally is not an eligible cost. However, the regular and overtime for the same direct supervision of force account employees performing eligible **permanent work** generally is eligible. Costs are claimed on the *Project Worksheet (PW)* for each individual project being supervised. There may be instances where these costs may be included as project management costs (as described in the following paragraphs) or as part of construction unit prices. Care must be taken to prevent duplication of costs being claimed and to assure reasonableness of costs that are claimed. Some *limitations* on the eligibility of the costs include:
    1. The straight- or regular-time salaries of a subgrantee's permanently employed personnel who supervise or manage *emergency work* performed by the subgrantee's employees (or by contractors) are not eligible costs. (reference 44 CFR 206.228(a)(4)). (Overtime costs are eligible for eligible emergency work.)
    2. Labor costs of second level supervisors (and above) are ineligible unless the subgrantee can account for specific time spent on eligible permanent projects.

(Generally, the labor costs of only first line supervisors of permanent work are eligible.)

3. In general, subgrantee expenses for administration and management activities not specifically accountable to a work project are ineligible.

**B. Project Management Activities.** Project management is the oversight of an eligible project from the design phase (when necessary) to the completion of the work.

1. Eligible project management activities are those activities that the subgrantee would have performed in the absence of Federal funding. They include:
  - a. Direct management of projects in the concept and design stages that are being designed by a subgrantee's in-house staff, or by an architectural/engineering firm retained to analyze and design the repair or replacement of damaged facilities;
  - b. Procurement activities for architectural/engineering services and performance of work.
  - c. Review and approval of the project design regardless of who performs the design work.
  - d. Oversight:
    - i. Reasonable straight- or regular-time and overtime contractor costs are eligible costs if the subgrantee is using contractors for oversight.
    - ii. If the subgrantee is using its own regularly employed staff for oversight of *emergency* work, it may claim overtime costs but not straight- or regular-time costs.
    - iii. If the subgrantee is using its own regularly employed staff for oversight of *permanent* work, it may claim overtime costs and straight - or regular-time costs if the costs are tracked.
  - e. Comprehensive project management activities of the construction phase that may be included in an architectural/engineering contract or may be performed by a subgrantee's own staff. If a contract is used, costs are estimated using the cost curves in the *Public Assistance Guide*, FEMA 322, pages 75-79 (1999 edition). Final payment will be based on reasonable actual costs.
  - f. Construction inspection activities that are usually of a limited scope (for example, when projects do not require design). The construction inspection services may be provided by the subgrantee's own staff or a contractor. If a contract is used, the estimated fee is limited to 3% of construction costs as

described in the *Public Assistance Guide*, FEMA 322, pages 79-80 (1999 edition). Final payment will be based on reasonable actual costs.

- g. Testing and other procedures that may be mandated by State or local standards.

## 2. *Project Worksheets (PWs)*:

- a. Large Projects. The eligible costs will be included in the *PW* cost estimate based upon:

- i. The actual project management cost for the specific project; or
- ii. A reasonable percentage of the estimated construction cost when a project management contract is being negotiated but actual costs are not available. The percentage should be based upon past experience with project management contract costs for similar projects in the area.

The cost must be an actual expense that justifiably will be incurred by the subgrantee and it must be reasonable. If the subgrantee is uncertain as to the extent of project management activities to be used, an estimate should be made of the possible costs and included in the *PW*. The accounting of costs at closeout of the large project will determine final eligible cost.

- b. Small Projects. Most small projects do not require project management activities. However, project management costs may be claimed on a *PW* when they are reasonable and are based on:

- i. The actual project management costs for each small project; or
- ii. A single project management *PW* for a contract that includes management of multiple small projects. Each small project under the contract must be identified and the need for project management efforts justified but costs for individual projects do not have to be identified as long as the total cost of the contract is reasonable when compared to the total cost of the small projects.

A flat percentage estimate, added to each small project *PW* for project management, is not acceptable.

- C. **Administrative Allowance Activities.** There are activities that subgrantees may consider to be project specific, but are actually grant administration activities and, therefore, are not eligible as a project supervision and management cost. These administrative activities are those necessary in requesting, obtaining, and administering Federal disaster subgrants. Examples include identifying damage; writing *PWs*; assessing damage; attending Grantee and FEMA meetings; completing forms to request assistance; establishing files; collecting cost data; developing cost estimates; and

working with the Grantee and FEMA during project monitoring, final inspections and audits. These grant administration activities are covered by the statutory administrative allowance (sliding scale) that is automatically added as a percentage of the total amount of assistance for a subgrantee when the projects are processed. The administrative allowance may not cover all costs that a subgrantee incurs performing grant administration activities but excess costs may not be claimed.

8. **Supersession:** Memorandum from Richard W. Krimm to Regional Directors dated July 6, 1995, Subject: Inclusion of Management and Supervision Costs in DSRs. This policy updates and replaces any other previous public assistance policy documents on this subject.
9. **Authorities:** Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended, Section 406; 44 CFR 206.228(a)(2)(ii); 44 CFR 206.228(a)(4)
10. **References:** *Public Assistance Guide*, FEMA 322, dated October 1999
11. **Originating Office:** Infrastructure Division, Response and Recovery Directorate
12. **Review Date:** Five years from date of publication
13. **Signature:**  
*signed*  
Lacy E. Suiter  
Executive Associate Director  
Response and Recovery Directorate
14. **Distribution:** Regional Directors, Regional and Headquarters R&R Division Directors



**FEMA**

## **Section 324 Management Costs and Direct Administrative Costs**

### ***Disaster Assistance Policy 9525.9***

#### **I. TITLE: Section 324 Management Costs and Direct Administrative Costs**

#### **II. DATE: March 12, 2008**

#### **III. PURPOSE:**

The purpose of this policy is to identify section 324 management costs and other grant management and administrative costs that are eligible under the Public Assistance (PA) Program and to clarify the process through which grantees and subgrantees can request reimbursement for these costs.

#### **IV. SCOPE AND AUDIENCE:**

The policy is applicable to all major disasters and emergencies declared on or after November 13, 2007. It is intended for personnel involved in the administration of the PA Program.

#### **V. AUTHORITY:**

Section 324 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), 42 U.S.C. 5165b, and 44 Code of Federal Regulations (CFR) Part 13, §206.207, §206.228, and Part 207.

#### **VI. BACKGROUND:**

The Disaster Mitigation Act of 2000 (P.L. 106-390) amended the Stafford Act by adding section 324 "Management Costs." In that section, Congress directed the Federal Emergency Management Agency (FEMA) to promulgate regulations that establish management cost rates and require that until the management cost regulation is published the associated expense percentages in section 406(f) of the Stafford Act apply to management costs. On October 11, 2007, FEMA published the *Management Costs* interim final rule (72 FR 57869) that established the management costs rates for emergencies and major disasters. The interim final rule went into effect on November 13, 2007. With publication of the interim final rule, section 406(f) of the Stafford Act, *Associated Expenses*, does not apply to disasters and emergencies declared on or after November 13, 2007.

#### **VII. POLICY:**

##### **A. Definitions:**

1. *Chief Financial Officer (CFO)* is the senior financial FEMA representative.
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**inspections of the project.**

3. *Indirect Costs* are costs a grantee or subgrantee incurs for a common or joint purpose benefiting more than one cost objective that are not readily assignable to the cost objectives specifically benefited. (See 44 CFR §207.2)
4. *Lock-in* is the amount of management cost funds available to a grantee for a particular major disaster or emergency. (See 44 CFR §207.2)
5. *Management Costs* are any indirect costs, administrative expenses, and any other expenses that a grantee or subgrantee reasonably incurs in administering and managing the PA grant that are not directly chargeable to a specific project. (See 44 CFR §207.2)
6. *Pass-through funds* are the percentage or amount of management costs that the grantee determines it will make available to subgrantees. (See 44 CFR §206.207(b)(1)(iii)(K))

**B. Eligibility:**

1. Only PA grantees with PA grants awarded pursuant to major disasters and emergencies declared by the President on or after November 13, 2007, are eligible to apply to FEMA for section 324 management costs.
2. FEMA will reimburse section 324 management costs on a category Z PW in an amount not to exceed 3.34 percent of the Federal share of projected eligible program costs, not including direct Federal assistance, for major disaster declarations and 3.90 percent of the Federal share of projected eligible program costs, not including direct Federal assistance, for emergency declarations. The amount of funding available for section 324 management costs cannot exceed the amount as calculated in accordance with 44 CFR §207.5(b)(4).
3. Requests for and documentation of section 324 management costs must comply with 44 CFR Part 207 and be addressed in the grantee's approved State Administrative Plan for PA. (See 44 CFR §206.207(b))
4. In addition to section 324 management costs, FEMA will reimburse direct administrative costs incurred by grantees and subgrantees that are properly documented and directly chargeable on a PW for a specific project. Actual costs must be reasonable for the work performed and accounted for in accordance with 44 CFR §13.22 - Allowable Costs. (See 44 CFR §207.6(a) and (c)) A cost cannot be assigned to a PA project as a direct administrative cost if similar costs incurred for the same purpose in like circumstances have been allocated to indirect costs.
5. Although grantees and subgrantees are responsible for the grant management and administrative requirements in 44 CFR parts 13, 206, and 207, grantees and subgrantees are not required to request section 324 management costs, nor are they required to seek reimbursement for direct administrative costs.

**C. Section 324 Management Costs:**

1. An approved State Administrative Plan must be on file with FEMA before PA grants will be approved. (See 44 CFR §206.207(b)(3))
2. The grantee must amend its State Administrative Plan to include procedures for determining the reasonable amount or percentage of section 324 management costs that it will pass-through to the subgrantee, as well as closeout and audit procedures before FEMA will obligate any section 324 management costs. (See 44 CFR §207.4(c) and §207.7(b)) It is entirely up to the State to determine how much if any management costs it will pass-through to the subgrantee. FEMA has not established any minimum or maximum for what constitutes a reasonable amount.
3. If a State and Native American Tribe both serve as grantees, then each is eligible for section 324 management costs. (See 44 CFR §207.2)
4. The CFO determines the lock-in amount for section 324 management costs at 30, 35 days (preliminary lock-in), six months (interim lock-in), and 12 months (final lock-in) from the date of the declaration. (See 44 CFR §207.5(b))
  - a. The lock-in amount is 100 percent Federally funded.
  - b. The lock-in amount is capped at \$20 million for a single declaration, unless the CFO approves an exception. (See 44 CFR §207.2 and §207.5(d))
  - c. The CFO informs the Regional Office of the lock-in amount and the Regional Office informs the grantee of the lock-in amount.
5. In order to receive section 324 management costs funding, the grantee must request it upon notification of the preliminary lock-in (initial funding request) and upon notification of the final lock-in (final funding request). (See 44 CFR §207.7(c) and (f)) The grantee may request interim funding upon notification of the interim lock-in (interim funding request). (See 44 CFR §207.7(e))
6. The grantee will submit its initial section 324 management costs funding request to the Regional Administrator using a PA PW. Upon receipt of the PW and in accordance with 44 CFR §207.7(b) and (c), the Regional Office will obligate 25 percent of the estimated lock in amount. (See 44 CFR §207.5(b)(1) and 44 CFR §207.6(c)) To simplify processing and tracking, *Standard Project 853- Section 324 Management Costs* has been established in the National Emergency Information Management System (NEMIS) and the Emergency Management Mission Integrated Environment (EMMIE). The PW will be processed under category Z.
7. The grantee must abide by the requirements of 44 CFR §207.7(d). The grantee must submit documentation no later than 120 days after the date of the declaration to support costs and activities for which the projected lock-in amount will be used.
  - a. The documentation must include:
    - i. A description of activities, personnel requirements, and other costs for which the grantee will use section 324 management costs funding throughout the disaster;

- ii. The grantee's plan for expending and monitoring the funds provided and ensuring sufficient funds are budgeted for grant closeout; and
    - iii. An estimate of the reasonable percentage or amount of pass-through funds the grantee will make available to subgrantees, including the basis, criteria, or formula for determination.
  - b. In extraordinary circumstances, the grantee may request to submit the required documentation after 120 days. The request for additional time must be made to the Regional Administrator within the 120-day period. The Regional Administrator will respond to the time extension request within 30 days.
  - c. The Regional Office will approve or reject the documentation for eligible costs and activities within 30 days of receiving it.
  - d. If documentation is rejected, the grantee will have 30 days from the date of the rejection letter to resubmit it for reconsideration and approval. The Regional Office will not obligate the balance of the section 324 management costs lock-in until the grantee's documentation is approved.
8. If the grantee can justify a bona-fide need for an interim obligation at six months, the grantee may submit a request to the Regional Administrator. An interim obligation will not exceed 10 percent of the six-month lock-in amount. The grantee will submit written justification, including a version/amendment of the section 324 management costs PW, to the Regional Administrator. The Regional Administrator will forward his/her recommendation to the CFO for approval. (See 44 CFR §207.5(d) and §207.7(e))
9. After notification of the final lock-in amount, the grantee must submit a final section 324 management costs request, including a version/amendment of the section 324 management costs PW, to the Regional Administrator. The Regional Office will make the final obligation of the remaining lock-in funding. (See 44 CFR §207.7(f)) The grantee should drawdown these funds in accordance with 44 CFR §13.21 - *Payment*.
10. Final payment of section 324 management costs is based on actual costs incurred.
11. The grantee can submit a written request to the Regional Administrator to change the amount of the lock-in or the cap, or the time at which lock-in amount is determined. The Regional Administrator will forward his/her recommendation to the CFO for approval. (See 44 CFR §207.5(d))
12. The grantee can expend section 324 management costs funds for allowable costs for a maximum time of (See 44 CFR §207.8(b)(1) and (2)):
- a. Eight years from the date of a major declaration, or 180 days after the latest performance period of a non-management cost PA PW, whichever is sooner.
  - b. Two years from the date of an emergency declaration, or 180 days after the latest performance period of a non-management cost PA PW, whichever is sooner.

13. The grantee can submit a written justification for an extension on the period of availability to the Regional Administrator. The Regional Administrator will forward his/her recommendation to the CFO for approval. The additional time is limited to no more than 180 days after the expiration of any performance period extensions granted under PA for project completion of a non-management cost PA PW. (See 44 CFR §207.8(b)(3))
14. FEMA will de-obligate any funds not liquidated by the grantee in accordance with 44 CFR §13.23. (See 44 CFR §207.8(b)(3))
15. The grantee must provide section 324 management cost quarterly progress reports to the Regional Administrator. (See 44 CFR §207.8(c))

#### **D. Direct Administrative Costs:**

1. Direct administrative costs include costs that can be tracked, charged, and accounted for directly to a specific project, such as staff time to complete field inspection and preparation of a PW. Direct costs are limited to actual reasonable costs incurred for a specific project. Such costs will be considered project costs.
2. A grantee or subgrantee cannot direct charge costs to a PA project that are considered indirect costs for any other Federal award or activity of the grantee or subgrantee or if similar costs incurred for the same purpose in like circumstances have been allocated to indirect costs. (See OMB Circular No. A-87, Attachment A.) Indirect costs are considered to be eligible section 324 management costs.
3. If a project is completed when the PW is prepared, actual direct administrative costs (labor, equipment, or other expenses) will be included in the PW for the subgrantee and the grantee's direct administrative costs will be included in separate category Z PW (See D.7). The summary of the actual costs will be attached to the PW.
4. If a project is not completed when the PW is prepared, an estimate of direct administrative costs that can be separately identified to the project will be included in the PW. An estimate of direct administrative costs, such as labor and equipment costs and other expenses, will be attached to the PW. These estimated costs cannot be based on a percentage of project costs.
5. Direct administrative costs are cost-shared at the prevailing cost-share rate for the declaration. They are cost-shared because they are part of a specific project.
6. Subgrantee:
  - a. The following text should be entered into each project's scope of work to describe the subgrantee's direct administrative costs:  
*"The subgrantee is requesting direct administrative costs that are directly chargeable to this specific project. Associated eligible work is related to administration of this PA project only and in accordance with 44 CFR §13.22. These costs are treated consistently and uniformly as direct costs in all Federal awards and other subgrantee activities and are not included in*

*any approved indirect cost rates."*

- b. The following **line item cost code** should be entered in the project cost: **"9901 - DIRECT ADMINISTRATIVE COSTS (SUBGRANTEE)"**
- c. Final payment of direct administrative costs on large projects will be based on actual costs incurred, in accordance with 44 CFR §206.205(b).
- d. Final payment of direct administrative costs on small projects will be paid to the grantee upon approval, in accordance with 44 CFR §206.205(a).

7. Grantee:

- a. The grantee may document its direct administrative costs on a separate category Z PW for each project. The grantee will not claim direct administrative costs for multiple individual projects on a single category Z PW.
- b. Each direct administrative cost category Z PW will use the **Standard Project 854 Direct Administrative Costs (Grantee)**.
- c. The scope of work should include the subgrantee's name, PA ID number, and cross reference to the associated work project PW.
- d. The following text should be entered into the project's scope of work:  
*"The grantee is requesting direct administrative costs that are directly chargeable to this specific project. Associated eligible work is related to administration of this PA project only and in accordance with 44 CFR §13.22. These costs are treated consistently and uniformly as direct costs in all Federal awards and other grantee activities and are not included in any approved indirect cost rates."*
- e. The following **line item cost code** should be entered in the project cost as a lump sum costs: **"9902 - DIRECT ADMINISTRATIVE COSTS (GRANTEE)"**
- f. Final payment of direct administrative costs on large projects will be based on actual costs incurred, in accordance with 44 CFR §206.205(b).
- g. Final payment of direct administrative costs on small projects will be paid to the grantee upon approval, in accordance with 44 CFR §206.205(a).
- h. A category Z PW with an estimate less than \$1,000 is not eligible.

VIII. **RESPONSIBLE OFFICE:** Disaster Assistance Directorate (Public Assistance Division).

IX. **SUPERSESSION:** Not applicable.

X. **ADDITIONAL INFORMATION:** Copies of this policy, the Management Costs interim rule, all public comments received, and additional information may be found on the docket for the Management Costs rulemaking. The docket can be found at [www.regulations.gov](http://www.regulations.gov) under

Docket ID: FEMA-2006-0035.

XI. **REVIEW DATE:** This policy will be reviewed, but will not automatically terminate, 3 years from date of publication or upon publication on the Management Costs final rule.

*//signed//*  
Carlos J. Castillo  
Assistant Administrator  
Disaster Assistance Directorate

**Disaster Assistance Policy 9525.9 - Section 324 Management Costs and Direct Administrative Costs (PDF 2.58 MB)**

**London, Sarah**

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**From:** Brunette, Timothy [Timothy.Brunette@associates.fema.dhs.gov]  
**Sent:** Monday, November 07, 2011 3:51 PM  
**To:** Diegel, Archie (CTR)  
**Cc:** Tootle, Corliss; Duchac, Bill  
**Subject:** Written guidance re: insurance

Archie,

The State's Risk Manager, Bill Duchac has asked that I forward the following questions so they may make informed decisions and plan accordingly once they have a written determination from FEMA.

Background: The State's insurance policy has a sub-limit of \$5M for Extra Expense (Temporary Relocation). Their relocation costs have already exceeded the policy sub-limit. The Extra Expense coverage has been used for temporary relocation costs, some that are ineligible for FEMA funding as well as for FEMA eligible facilities.

Questions:

Can the State apply/exhaust their insurance proceeds for relocating facilities that are ineligible for FEMA funding first?

If not, will the overall relocation costs be pro-rated?

If pro-rated, how will the percentages be determined?

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