Determination on the Public Assistance Simplified Procedures Thresholds

Fiscal Year 2014 Report to Congress

Analysis Report for Sandy Recovery Improvement Act of 2013

January 29, 2014

Homeland Security

Federal Emergency Management Agency

Foreword from the FEMA Administrator

January 29, 2014

I am pleased to submit the following report, "Determination on the Public Assistance Simplified Procedures Thresholds."

The Federal Emergency Management Agency prepared this document in response to Section 1107, *Sandy Recovery Improvement Act of 2013* (P.L.113-2). The report provides an analysis on the impact of a change in the Simplified Procedures thresholds on the cost-effectiveness, speed of recovery, capacity of grantees, past performance, and accountability measures, and determines whether an increase in the thresholds for eligibility for Simplified Procedures is appropriate programmatically and based on risks.

Pursuant to congressional requirements, the report is being provided to the following Members of Congress:

The Honorable Thomas R. Carper
Chairman, Senate Committee on Homeland Security and Governmental Affairs

The Honorable Tom Coburn,
Ranking Member, Senate Committee on Homeland Security and Governmental Affairs

The Honorable Bill Shuster
Chairman, House Committee on Transportation and Infrastructure

The Honorable Nick J. Rahall, II
Ranking Member, House Committee on Transportation and Infrastructure

Inquiries related to this report may be directed to me at (202) 646-3900.

Sincerely,

W. Craig Fugate
Administrator
Federal Emergency Management Agency

Executive Summary

The purpose of this report is to present findings of the analysis conducted by the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) on the Public Assistance (PA) program's thresholds for eligibility under Simplified Procedures pursuant to Section 1107 of the Sandy Recovery Improvement Act of 2013 (SRIA) (P.L. 113-2).

The PA program has two eligibility thresholds: (1) a minimum threshold to qualify for a PA project (and thus Simplified Procedures); and (2) a maximum threshold for Simplified Procedures. Project amounts under the minimum threshold, currently $1,000, are not eligible for a PA project. FEMA expedites the processing of PA grant funding for project amounts under the maximum threshold ($68,500 for FY 2014) by eliminating much of the administrative burden placed on larger projects. FEMA refers to projects that fall under the maximum threshold as small projects.

SRIA requires FEMA to complete an analysis to determine whether an increase in the Simplified Procedures threshold for eligibility is appropriate by analyzing the following five criteria: cost-effectiveness, speed of recovery, capacity of grantees, past performance, and accountability measures. In this analysis, FEMA also considered historical trends and ongoing changes to the PA program.

In order to determine if an increase to the thresholds would be beneficial and lead to greater budgetary efficiency, FEMA focused the analysis on the following approaches:

1. A quantitative analysis of PA program data, as well as state-level emergency management budget information.

2. A qualitative review of input from FEMA Regional Office staff, states and tribes, as well as recent bi-annual reports published by a membership organization representing state-level emergency managers.

Based on this analysis, FEMA determined that a change in the thresholds for Simplified Procedures would benefit grantees and subgrantees, specifically raising the Simplified Procedures maximum threshold to $120,000, raising the minimum threshold for project eligibility to $3,000, and adjusting both annually to reflect changes in the Consumer Price Index for All Urban Consumers (CPI) published by the U.S. Department of Labor.

FEMA will implement the changes to both thresholds after submission of this report. As required by law, FEMA will review this determination in three years and decide if further action is required. In order to reassess the thresholds in three years, FEMA is developing a data collection plan to determine whether the increase has yielded the benefits, which are anticipated based on the enclosed historical analysis. FEMA will also solicit public comment on this report via formal notice in the Federal Register.

Determination on the Public Assistance Simplified Procedures Thresholds

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I. Legislative Language

On January 29, 2013, President Obama signed into law the Sandy Recovery Improvement Act of 2013 (SRIA) [1] (P.L. 113-2). Section 1107 of this law amends section 422 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act,[2] which authorizes Simplified Procedures for the PA program under sections 403, 406, 407 and 502 and includes the following requirement:

> [That] [n]ot later than 1 year after the date of enactment of this subsection, the President, acting through the Administrator of the Federal Emergency Management Agency (in this section referred to as the 'Administrator'), shall— (A) complete an analysis to determine whether an increase in the threshold for eligibility under subsection (a) is appropriate, which shall include consideration of cost-effectiveness, speed of recovery, capacity of grantees, past performance, and accountability measures; and (B) submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Homeland Security and Governmental Affairs of the Senate a report regarding the analysis conducted under subparagraph (A). (2) AMOUNT.—After the Administrator submits the report required under paragraph (1), the President shall direct the Administrator to—(A) immediately establish a threshold for eligibility under this section in an appropriate amount, without regard to chapter 5 of title 5, United States Code; and (B) adjust the threshold annually to reflect changes in the Consumer Price Index for all Urban Consumers published by the Department of Labor. (3) REVIEW. Not later than 3 years after the date on which the Administrator establishes a threshold under paragraph (2), and every 3 years thereafter, the President, acting through the Administrator, shall review the threshold for eligibility under this section.

FEMA interprets the "threshold for eligibility" as both the maximum amount to qualify for Simplified Procedures and minimum bounds of any PA project costs. Therefore, the analysis provided in this report considers whether FEMA should increase both.

[1] Sandy Recovery Improvement Act of 2013, Pub L. No 113-2, *available at* http://www.gpo.gov/fdsys/pkg/BILLS-113hr219eh/pdf/BILLS-113hr219eh.pdf (last visit August 20, 2013) [hereinafter SRIA].
[2] Robert T. Stafford Disaster Relief and Emergency Assistance Act, Pub. L. No. 93-288, § 422 (1974) (codified as amended at 42 U.S.C. §5189) [hereinafter Stafford Act].

II. Background

The Background section includes the following three subsections: first, a general overview of the PA program and Simplified Procedures; second, the legislative history of Simplified Procedures; and finally an overview of the minimum threshold for a project.

A. Public Assistance Background

Public Assistance Mission

FEMA's PA program provides supplemental Federal disaster grant assistance to State, Tribal and local governments, and certain types of private nonprofit organizations for debris removal, emergency protective measures, and the repair, replacement, or restoration of disaster-damaged facilities.[3] The Federal share of assistance is not less than 75% of the eligible cost for emergency measures[4] and permanent restoration.[5] The grantee[6] determines how it will apportion the non-Federal share (up to 25%) with the subgrantees.[7]

The PA Process

FEMA bases PA program grants on estimates or actual cost information for individual projects. A project is a logical grouping of related work required as the result of the declared event. The subgrantee, working with FEMA and the grantee, is responsible for assessing disaster-related needs and developing projects to address those needs.[8] All projects are documented on Project Worksheets (PWs).[9] These PWs and approximately twenty supplemental forms[10] contain the information necessary for FEMA to approve the scope of work and itemized cost estimate prior to funding.[11]

To facilitate project review, approval, and funding, projects are divided into small and large projects based on the monetary threshold established in Section 422 of the Stafford Act[12] and elaborated on in Title 44 of the Code of Federal Regulations § 206.203(c). The maximum threshold to be considered for a small project is adjusted each fiscal year based on the CPI, as published by the U.S. Department of Labor and published in the Federal Register.[13] For the fiscal year ending September 30, 2014, the threshold is $68,500.[14] If the estimated total project amount, including the Federal share and non-Federal share, is less than this threshold, the project

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[3] Public Assistance Guide, FEMA 322 (June 2007) [hereinafter PA Guide] at 3, *available at* http://www.fema.gov/public-assistance-local-state-tribal-and-non-profit/categories-work (last viewed August 20, 2013).
[4] *See* Stafford Act § 503(a) (42 U.S.C. §5193(a)).
[5] *See* Stafford § 406(b) (42 U.S.C. §5172(b)).
[6] *See* 44 C.F.R. § 206.201(e) (the State government, and in some instances, an Indian Tribal government, to which the grant is awarded. The grantee is accountable for the use of the funds provided by FEMA and is responsible for disbursing those funds to the subgrantee (applicant)).
[7] *See* 44 C.F.R. § 206.203(o) (a State agency or local government, American or Native Indian Tribe, Private Nonprofit organization, or other legal entity to which public assistance funds are awarded).
[8] *See* 44 C.F.R. § 206.202(d).
[9] *Id.*
[10] Fact Sheet: Elements of a Project Worksheet. Public Assistance Policy 9580.5, *available at:* http://www.fema.gov/pdf/government/grant/pa/9580_5.pdf.
[11] *See* 44 C.F.R. § 206.202(d).
[12] *See* Stafford Act § 422 (42 U.S.C. §5189).
[13] *See* 78 Fed. Reg. 65588 (Nov. 1, 2013) (Large Project Threshold based on the Consumer Price Index for All Urban Consumers for Fiscal Year 2013), *available at* http://www.gpo.gov/fdsys/pkg/FR-2013-11-01/pdf/2013-26056.pdf (last viewed November 8, 2013).
[14] *Id.*

is processed as a small project.[15] Large projects are those projects with a total estimated cost at or above the threshold.[16]

The determination of which maximum threshold amount for small projects will be used for a disaster is based on the disaster's declaration date, regardless of when project approval is made or when the work is performed. SRIA amended Section 422 of the Stafford Act to have FEMA determine whether an increase in the Simplified Procedures threshold is appropriate based on the following criteria: cost-effectiveness; speed of recovery; capacity of grantees; past performance; and accountability measures.

Small Projects

Small projects provide advantages to subgrantees, grantees, and FEMA because the projects may be obligated based on estimated costs, which expedites processing of grant funding. Payment of the small project Federal share is made to the grantee upon approval of the PW,[17] rather than after the subgrantee submits documentation of costs. The grantee provides the Federal share to the subgrantee as soon as practicable after FEMA obligates the funds.[18] The funding level for small projects is fixed, regardless of the final cost incurred by the subgrantee, unless they appeal for additional funds and are approved.[19] FEMA does not perform a final inspection of completed small projects; however, the grantee must certify that the subgrantee completed the work in compliance with all applicable laws, regulations, and policies.[20] The grantee may decide to review some, or all, of a subgrantee's small projects. If the subgrantee spends a different amount than the amount approved by FEMA, the Federal share is not reduced or increased to match actual costs, unless the subgrantee appeals and submits documentation for FEMA to review all of their small projects.[21]

Large Projects

If the total project cost is equal to or above the threshold, then it is classified as a large project.[22] Large project funding is based on actual documented costs.[23] Because of the complexity and nature of most large projects, work typically is not complete at the time of FEMA approval. Therefore, most large projects initially are approved based on estimated costs.[24] Funds are generally made available to the subgrantee on a progress payment basis as work is completed and actual costs are documented.[25] When all work associated with the project is complete, the grantee performs a reconciliation of actual costs and transmits the information to FEMA for consideration for final funding adjustments.[26]

The grantee is responsible for ensuring that all incurred costs are associated with the approved scope of work, including the period of performance, and for certifying that work has been

[15] *See* 44 C.F.R. § 206.203(c)(2).
[16] *See* 44 C.F.R. § 206.203(c)(1).
[17] *See* 44 C.F.R. § 206.205(a).
[18] *Id*.
[19] *Id*.
[20] *See* Stafford Act § 422 (42 U.S.C. §5189).
[21] *See* 44 C.F.R. § 206.205(a).
[22] *See* 44 C.F.R. § 206.203(c)(1).
[23] Unless a grantee chooses to formulate projects under the SRIA authorized Alternative Procedures Pilot
[24] PA Guide at 95.
[25] *Id*. at 109.
[26] *See* 44 C.F.R. § 206.205(b)(1).

completed in accordance with FEMA standards and policies.[27] The grantee then submits documentation of project costs to FEMA for review.[28] At that time, FEMA may conduct a final inspection.[29] Once the review is complete, FEMA determines whether funding adjustments (additional obligations or deobligations) are necessary for the project.[30]

Movement Towards Consolidation and Flexibility

Region IX has been implementing logical grouping of like-work in consolidated PWs for approximately seven years. Nationwide, FEMA has recently begun implementing this approach, in order to provide a consistent method of delivering the PA program, as outlined in the *PA Field Operations Pocket Guide*[31] (hereafter *Pocket Guide)*. FEMA is currently training all regional offices and grantees on the *Pocket Guide's* concept on how to logically group and consolidate PWs and emphasizing the need for project consolidation.

SRIA also authorized PA Alternative Procedure (PAAP) pilot programs for debris and permanent work, which provide additional flexibilities to subgrantees and grantees that choose to utilize them (for additional details see Appendix 2).

B. History of the Simplified Procedures Threshold

The Disaster Relief and Emergency Assistance Amendment of 1988 introduced the Simplified Procedures maximum threshold to reduce administrative expenses and time associated with a Federal disaster grant.[32] Congress selected $35,000 as the threshold because *"damage survey reports*[33] *of less than $35,000 have constituted **95%** of all damage survey reports but only **32%** of all expended dollars."* [emphasis added][34] The House Report explains the administrative efficiency of the Simplified Procedures which would allow "…subgrantee[s] [to] receive an amount estimated by the Federal Government … rather than the standard and sometimes cumbersome procedure of performing audits and inspections to verify the cost of an *[sic]* eligibility for payment of the costs of the work."[35] Congress believed that this more streamlined approach would "result in *substantial savings of time and money [that] … should have a significant and beneficial impact on FEMA's overall program.*" [emphasis added][36]

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[27] *See* 44 C.F.R. § 206.205(b).
[28] PA Guide at 109.
[29] *Id*.
[30] *Id*.
[31] The Pocket Guide describes the fundamentals to be followed in PA field operations nationally in order to streamline processes for more efficient program delivery and provides detailed instructions on critical elements of the PW development process. It also reinforces existing protocol and introduces improvements to procedures for PA program delivery. FEMA and grantees currently use a draft version in the field, however, a final version is not yet published.
[32] *See* Stafford Act § 422 (42 U.S.C. §5189); *see also*. P.L. 100-707 (The 1974 Act was renamed the Stafford Act by the Disaster Relief and Emergency Assistance Amendments of 1988).
[33] Former name of "Project Worksheet"
[34] *See* H.R. REP. NO. 100-517 (1988).
[35] *Id*.
[36] *Id*; *see also, e.g.*, OFFICE OF INSPECTOR GEN., ASSESSMENT OF FEMA'S PUBLIC ASSISTANCE PROGRAM POLICIES AND PROCEDURES (2009), *available at* http://www.oig.dhs.gov/assets/Mgmt/OIG_10-26_Dec09.pdf (recommended increasing the maximum threshold because of the administrative efficiency and streamlined process for all parties); U.S. GEN. ACCOUNTING OFFICE, DISASTER ASSISTANCE: IMPROVEMENTS NEEDED IN DETERMINING ELIGIBILITY FOR PUBLIC ASSISTANCE (1996), *available at* http://www.gao.gov/assets/160/155459.pdf (recommended increasing the minimum threshold to increase administrative efficiency); HOMELAND SEC. STUDIES AND ANALYSIS INST., ANALYSIS OF THE FEMA PUBLIC ASSISTANCE (PA) PROGRAM (2011), *available at* http://assets.fiercemarkets.net/public/sites/govit/fema_foia_perera_bottomupreview.pdf (recommended increasing the minimum threshold to increase administrative efficiency).

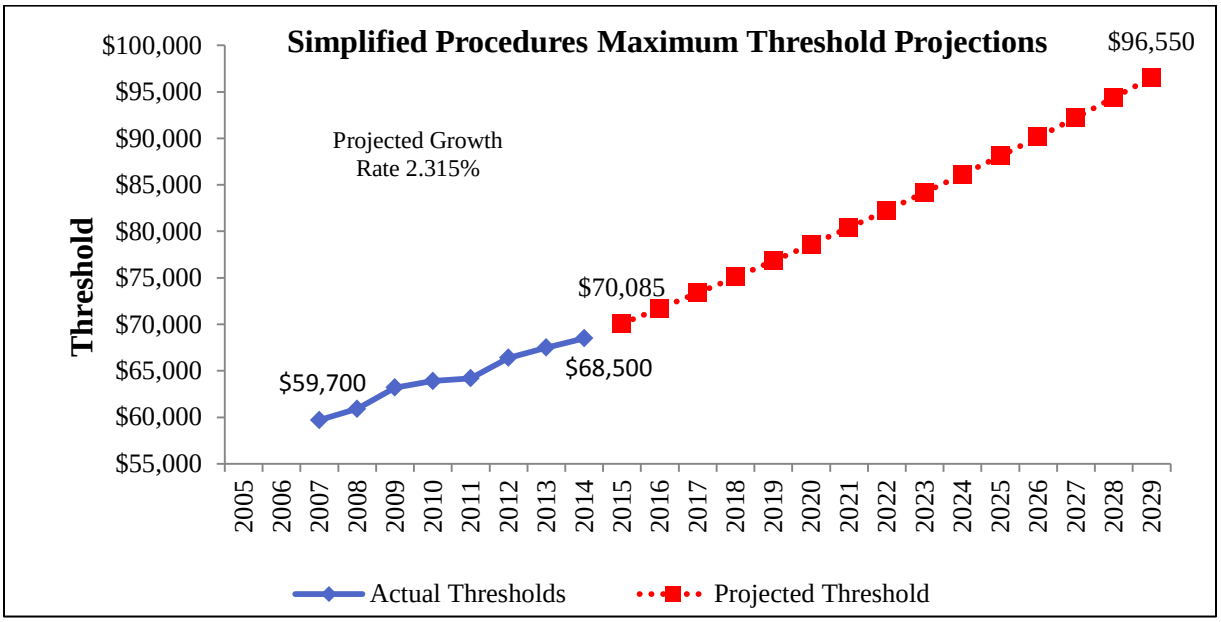

Figure 1: Actual Simplified Procedures Threshold From FY 2007 –FY 2014, And Projected Thresholds To FY 2030[37]

Since the inception of Simplified Procedures in 1988, the maximum threshold has risen with CPI, seeing an increase of approximately $9,000 between FY 2007-2014 alone (see Figure 1). Without any changes, the maximum threshold is expected to grow to approximately $100,000 by FY 2030. Over the past seven years, small projects have made up 88% of all projects by number but only 15% of all project amounts[38] (see Figures 2 & 3).

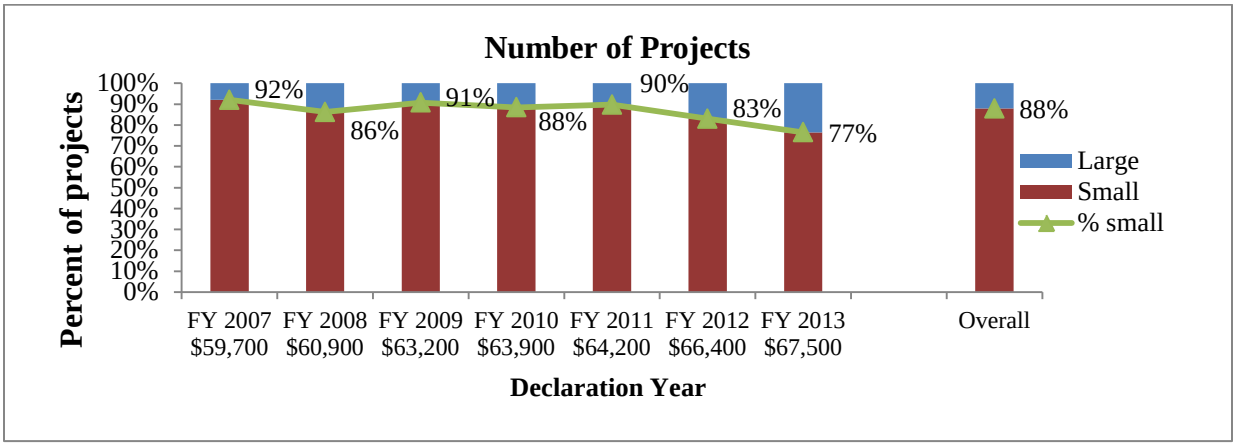

Figure 2: Number Of Small And Large Projects FY 2007 – FY 2013

[37]FEMA calculated all projections of future thresholds in this report based on the compound annual growth rate (CAGR) formula, and past CPI data from the Bureau of Labor Statistics. Using CPI values for base month and year, of September 2000 to end month and year, of August 2013, the formula is input as follows: 2.315% = ((233.877/173.7)^(1/13))-1 .Source: BLS, Consumer Price Index - All Urban Consumers, Series Id: CUUR0000SA0 Base Period: 1982-84=100, Years: 2000 to 2013, Area: U.S. city average, Item: All Items. Available at: ftp://ftp.bls.gov/PUB/special.requests/CPI/cpiai.txt.

[38]Out of the $23.2 billion in project amounts (Federal and non-Federal share) in the last 7 years, small projects have accounted for $3.4 billion. Out of the $17.7 billion obligated in the last 7 years, small projects have accounted for $2.6 billion.

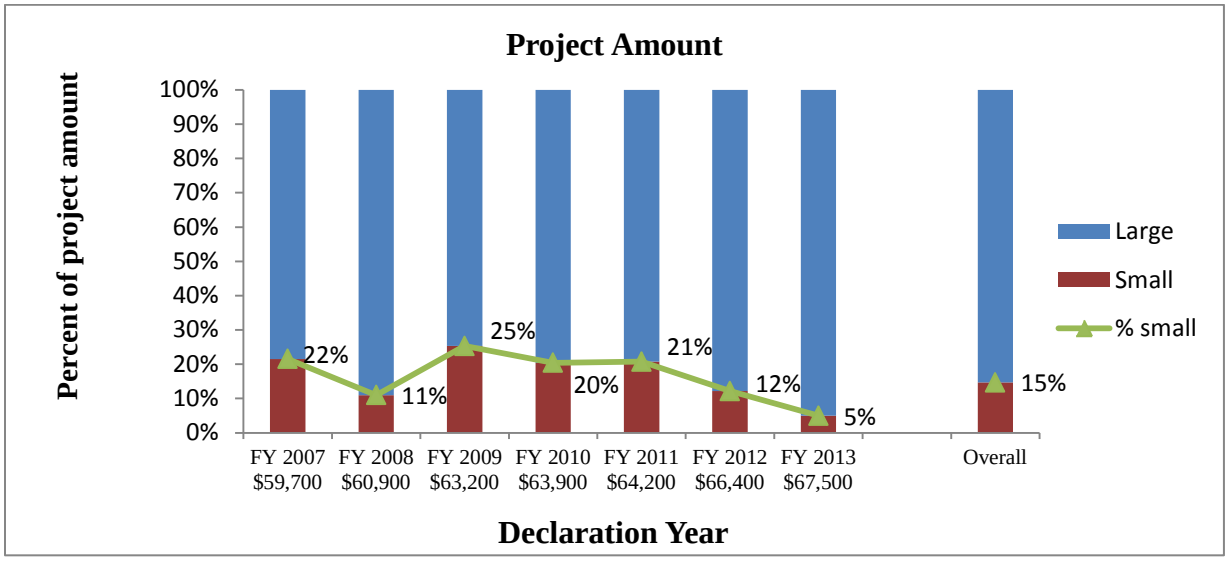

Figure 3: Percent Of Small And Large Projects FY 2007 – FY 2013

C. History of the Minimum Threshold

Through rulemaking, FEMA increased the minimum threshold two times from the original $100 amount (see Figure 4). The increase was "intended to improve program efficiency and to reduce fixed administrative costs associated with small claims … [and] … justified to achieve the objectives of improving program efficiency and focusing resources in areas less likely to be able to be taken care of through normal maintenance procedures."[39] The current minimum threshold for a PA project is $1,000.[40] The minimum threshold has not changed since 1993, and it has never been adjusted for CPI.

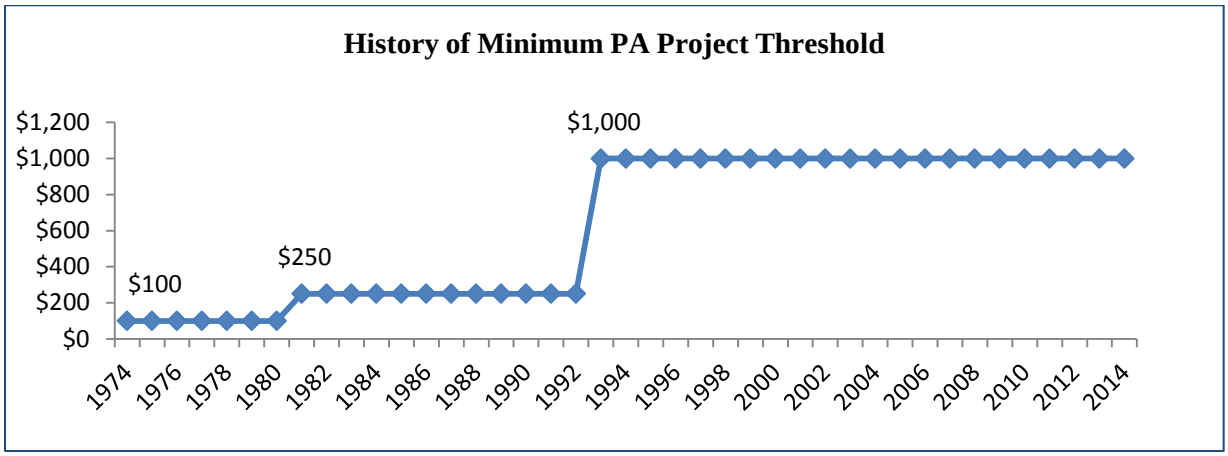

Figure 4: The Minimum PA Project Threshold From FY 1974 – FY 2013

[39] *See* Application Procedures, 58 Fed. Reg. 47,994, 47,996 (Sept. 14, 1993) (codified at 44 C.F.R. § 206.202(d)(2)).
[40] *Id.*

A project's eligibility to be processed under Simplified Procedures is determined by (1) the minimum threshold for all PA projects, and (2) the maximum Simplified Procedures threshold, which divides small and large projects. The purpose of both thresholds is to reduce the administrative burden, time, and expenses related to administering a PA grant, but both thresholds have increased differently over time. SRIA instructs FEMA to analyze whether to increase the threshold for eligibility for a project under Simplified Procedures. FEMA interprets this as both the maximum and minimum bounds of a PA small project. Therefore, the analysis presented in this report considers whether FEMA should increase both.

III. Methodology of Analysis

FEMA's Enterprise Data Warehouse (EDW) pulls information on PA projects from the National Emergency Management Information System (NEMIS), which is utilized by PA to record PWs from disasters declared from 1998 to 2007, and the Emergency Management Mission Integrated Environment (EMMIE), which FEMA began using for the PA program in 2007.

FEMA designed its analysis to evaluate the Simplified Procedures thresholds for a PA project to answer two basic questions: (1) should FEMA raise the thresholds; and, (2) if so, to what?

For this analysis, FEMA considered the following (a) five factors required by legislation; (b) historic data on the PA program; (c) ongoing changes to the PA program; and (d) budgetary efficiency. The quantitative approach analyzed PA program data and state emergency management budget data consolidated by the Council of State Governments. The qualitative approach included written feedback from and interviews with the FEMA regional PA offices, feedback from states via the National Emergency Management Association (NEMA), and a review of information contained in NEMA's 2012 biannual report.

FEMA extracted data from both NEMIS and EMMIE that included PWs with a declaration date from January 1, 2007 through September 30, 2013, regardless of the project's status. FEMA analyzed a data set with the following characteristics:

- Included A through G Categories of Work[41]
- Excluded:
    - Categories H and Z;[42]
    - Irregular data including PWs for project amounts under $1,000 and PWs that appeared to be misclassified as small or large based on project amount; and
    - Duplicate PW records.

Based on these exclusions, FEMA included 296,138 PWs in the analysis, out of 328,102 total PWs from the selected years.

[41] PA Guide at 66-87 (provides a description of categorizes A through G, which are Debris Removal; Emergency Protective Measures; Road Systems and Bridges; Water Control Facilities; Public Buildings and Contents; Public Utilities; and Parks, Recreational, and Other), *available at* http://www.fema.gov/pdf/government/grant/pa/paguide07.pdf.

[42] *See* Stafford Act § 420 (42 U.S.C. §5187) (Category H refers to work on Fire Management Assistance Grants (FMAGs); *See also* Stafford Act § 324 (42 U.S.C. §5165b) (Category Z refers to Management Costs and DACs) (FEMA chose to exclude these because the Simplified Procedures threshold does not apply to either category).

IV. Analysis

The analysis is divided into two sections: A) whether to raise the Simplified Procedures Thresholds and B) how much to raise the thresholds.

A. Should FEMA Raise The Thresholds?

FEMA found both qualitative and quantitative support for raising the Simplified Procedures thresholds. The three main reasons for raising the thresholds are: (1) encouraging the existing movement to consolidate projects; (2) improving program and budgetary efficiency for all parties involved; and (3) increasing flexibility for subgrantees and grantees.

FEMA incorporated the five factors from SRIA (cost-effectiveness, speed of recovery, capacity of grantees, past performance, and accountability measures) within these reasons. FEMA interprets the "threshold for eligibility" as both the maximum amount to qualify for Simplified Procedures and minimum bounds of any PA project amount. Therefore, the analysis considers whether FEMA should increase both.

1) *Raising The Thresholds Is Consistent With Existing Project Consolidation Trends by Subgrantees And Encourages Future Consolidation.*

FEMA has recently started training all regional offices and grantees on the process of logically grouping and consolidating work on PWs. FEMA is in the process of implementing *The Pocket Guide* that communicates this programmatic change. FEMA encourages subgrantees to form a conceptual and logical grouping for PWs from their listings of damages during the project formulation process. The intent of such groupings is to minimize the number of PWs necessary to provide assistance for each subgrantee.

This logical grouping will lead to higher total dollar amount per PW and fewer PWs. To confirm that project consolidation is resulting in higher average project amounts, FEMA examined trends in Region IX, which has been implementing logical grouping for approximately seven years. Comparing Region IX with other regions, Region IX has seen an increase in the average small project amount compared to all of the regions (see Figure 5).

If the maximum threshold for Simplified Procedures remains unchanged, projects that would have been considered small, if not consolidated, may become large as a result of consolidation. Thus a subgrantee may be unwilling to consolidate the projects because they do not wish to have the work processed as a large project. By raising the Simplified Procedures maximum threshold, some of these consolidated projects would remain small, and less burdensome on the subgrantee, the grantee, and FEMA.

	Closed PWs In or After 2010	Closed PWs In or After 2011	Closed PWs In or After 2012
Region IX Average Small Project Amounts	$17,313	$17,628	$18,484
All Regions Average Small Project Amounts	$14,222	$14,346	$14,662
Ratio of Region IX/All Regions*	122%	123%	126%
*Ratio = Reg IX Average Small Project Amount Divided by All Region Average Small Project Amount			

Figure 5: Comparison Of Region IX Small Project Amounts To Other Regions

In addition, raising the minimum threshold for a project's eligibility for the PA program would also encourage consolidation of projects. FEMA expects that subgrantees are more likely to be willing to consolidate similar eligible projects into a single PW if they need to reach a higher threshold to be eligible for a PA grant. An increase in the thresholds does not alter the kind of work that is eligible for a PA project outlined in regulation. Today, three eligible $1,000 projects could be three separate PWs. However, if they are for similar work, grouping them together will decrease the administrative burden of processing the grant funds.

2) *Raising The Thresholds Is Expected To Reduce The Overall Administrative Burden And Improve Program Efficiency For Subgrantees, Grantees, and FEMA.*

Based on input from FEMA regional offices and an analysis of the costs and benefits of raising the thresholds, FEMA is convinced that raising the thresholds will improve program efficiency for all parties. In addition to the fewer PWs that would result from project consolidation, small projects are generally less administratively burdensome for the subgrantee, the grantee and FEMA. Therefore, raising the thresholds would increase administrative efficiencies by decreasing the time it takes for staff to manage and review grants.

FEMA Regional Offices

FEMA requested input from the regional PA offices to understand the impact of raising the threshold on their processing of grants. The majority of the regions that responded indicated that raising the threshold would have a positive effect. The majority of regions supported raising the threshold because it would increase the number of small projects, thereby reducing the administrative time and work associated with fewer large projects while not increasing risks associated with waste, fraud or abuse.

Speed of Project Closure

FEMA examined project closure rates for large and small projects. From disasters declared in the last seven years, the percent of projects still open is generally higher for large projects (54%) than for small projects (42%) (see Figure 6). Overall, 61% of disasters (excluding disasters with either all projects open or closed) have a higher percent of large projects open than small projects. For some disasters, there is a particularly large difference between the small and large project closure rates. For example, for 2011's Hurricane Irene in Vermont, 44% of large projects are still open, compared to 1% of small projects. Disasters cannot be closed until all of the

projects for that disaster are closed. Therefore, raising the maximum threshold for Simplified Procedures and increasing the number of small projects will help speed closure of both projects and disasters, which will decrease the administrative burden of a disaster, help speed disaster recovery, and reduce the associated length of ongoing government oversight and associated costs.

	Large Projects	Small Projects
Overall Percent Open	54%	42%
Example Disasters Percent Open		
• 4022 (2011 Vermont Hurricane Irene)	44%	1%
• 4076 (2012 Wisconsin Storms and Flooding)	57%	23%
• 4139 (2013 New Hampshire Storms and Flooding)	100%	75%

Figure 6: Comparison Of The Percent Of Large And Small Projects Open At The End Of FY 2013

Additional Administrative Benefits Of Raising The Thresholds

Raising both thresholds would have additional administrative benefits to subgrantees, grantees, and FEMA (see Figure 7), and ensure that time and effort is spent on large projects where more subgratee, grantee and Federal dollars are at stake. Some external reports have advocated for increasing both the maximum and the minimum thresholds, since the resulting reduced administrative burden would benefit all stakeholders. The Department of Homeland Security's Office of Inspector General recommended an increase to the maximum threshold in 2009 since "(a) administrative efforts and costs for all parties would be reduced based on the streamlined process for small projects; and (b) subgrantees' cash flow would improve because they would not need to incur costs prior to receiving payment, unlike for payments classified as large."[43] Both the Government Accountability Office in 1996[44] and the Homeland Security Studies and Analysis Institute in 2011[45] recommended raising the minimum threshold to increase administrative efficiencies.

FEMA sets grant close out requirements for both small and large projects. However, some states have additional small project oversight requirements for subgrantees, which increases both the subgrantees' and grantees' administrative grant closeout time in those states. Therefore, raising the maximum threshold would not benefit these states as much. But the states without additional requirements would realize the maximum benefits from the recommended threshold increases.

[43] OFFICE OF INSPECTOR GEN., ASSESSMENT OF FEMA'S PUBLIC ASSISTANCE PROGRAM POLICIES AND PROCEDURES (2009), *available at* http://www.oig.dhs.gov/assets/Mgmt/OIG_10-26_Dec09.pdf.
[44] *See* U.S. GEN. ACCOUNTING OFFICE, DISASTER ASSISTANCE: IMPROVEMENTS NEEDED IN DETERMINING ELIGIBILITY FOR PUBLIC ASSISTANCE (1996), *available at* http://www.gao.gov/assets/160/155459.pdf.
[45] HOMELAND SEC. STUDIES AND ANALYSIS INST., ANALYSIS OF THE FEMA PUBLIC ASSISTANCE (PA) PROGRAM (2011), *available at* http://assets.fiercemarkets.net/public/sites/govit/fema_foia_perera_bottomupreview.pdf.

Benefits of Raising the Maximum Threshold
• Subgrantee/Grantee time is saved in many states from the reduction in final inspections and in the closeout process (and FEMA saves direct administrative costs). • Administrative and budgetary efficiencies as a result of less time spent by FEMA employees closing out projects. • Increased availability of Federal funds to Grantee upon PW approval rather than after the completion of work and submittal of cost documentation. • Minimal risk to Subgrantees/Grantees due to the availability of an appeal for all small project actual costs higher than their estimated costs under the Simplified Procedures.
Benefits Of Raising The Minimum Project Threshold
• Subgrantees may choose to logically group more PWs, making the consolidated PW eligible for obligation, but also reducing the administrative burden due to a reduced number of PWs. • Time is no longer spent by any party writing projects less than the new minimum threshold.

Figure 7: Discussion Of Benefits Of Raising The Thresholds

3) *Raising The Thresholds Is Beneficial To Subgrantees And Grantees Because It Increases Their Capacity And Provides Them With Additional Flexibility.*

FEMA considered the impact of raising the maximum threshold on grantees by evaluating: state capacity, input from states on the prospect of raising the threshold, small project appeal activity, and the perspective of subgrantees if given the choice between an increased threshold and the SRIA Alternative Procedures. In all cases, FEMA determined that an increase in the maximum threshold for Simplified Procedures would benefit subgrantees and grantees. Most benefits described in this section are realized more from raising the maximum threshold than for raising the minimum threshold.

State Budgets and Disaster Declarations

State emergency management budgets have been decreasing, and have not kept up with the increasing number of Federal and state disaster declarations.[46] FEMA reviewed state emergency management agency budgets from FY 2008 – FY 2013[47] compared to the number of Federally

[46] NEMA, *Biennial Report* (2012), *available at* http://www.nemaweb.org/index.php?option=com_pollydoc&format=raw&id=2703&view=doc.

[47] Beverly Bell, *Adequate Money, Changing Disasters, New Administration: Challenges of Homeland Security and Emergency Management*, Table A: State Emergency Management: Agency Structure, Budget and Staffing (2008), *available at* http://knowledgecenter.csg.org/kc/system/files/Bell_2008.pdf; Beverly Bell, *A New Direction in Washington and Making Smarter Investments in Tough Economic Times*, Table A: State Emergency Management: Agency Structure, Budget and Staffing (2009), *available at* http://knowledgecenter.csg.org/kc/system/files/bell_1.pdf; Beverly Bell, *Protecting Past Investments and Developing Creative Solutions in a Troublesome Budget Environment*, Table A: State Emergency Management: Agency Structure, Budget and Staffing (2010), *available at* http://knowledgecenter.csg.org/kc/system/files/Bell.pdf; Beverly Bell, An Impossible Choice: Reconciling State Budget Cuts and Disasters That Demand Adequate Management, Table A: State Emergency Management: Agency Structure, Budget and Staffing (2011), *available at* http://knowledgecenter.csg.org/kc/system/files/Bell2011.pdf; Beverly Bell, *Elections, Greater Federal Grant Scrutiny and Ongoing Disasters Continue to Test Management System*, Table A: State Emergency Management: Agency Structure, Budget and Staffing (2012), *available at* http://knowledgecenter.csg.org/kc/system/files/beverly_bell_2012.pdf; Beverly Bell, *Another Major Disaster Reveals Stubborn Battle Lines Between Disaster Relief and Fiscal Restraints* Table A: State Emergency Management: Agency Structure, Budget and Staffing (2013), *available at*

declared disasters (see Figure 8). With the exception of FY 2009, the average state emergency management budget has gone down in every year. Meanwhile, Federal disaster activity has

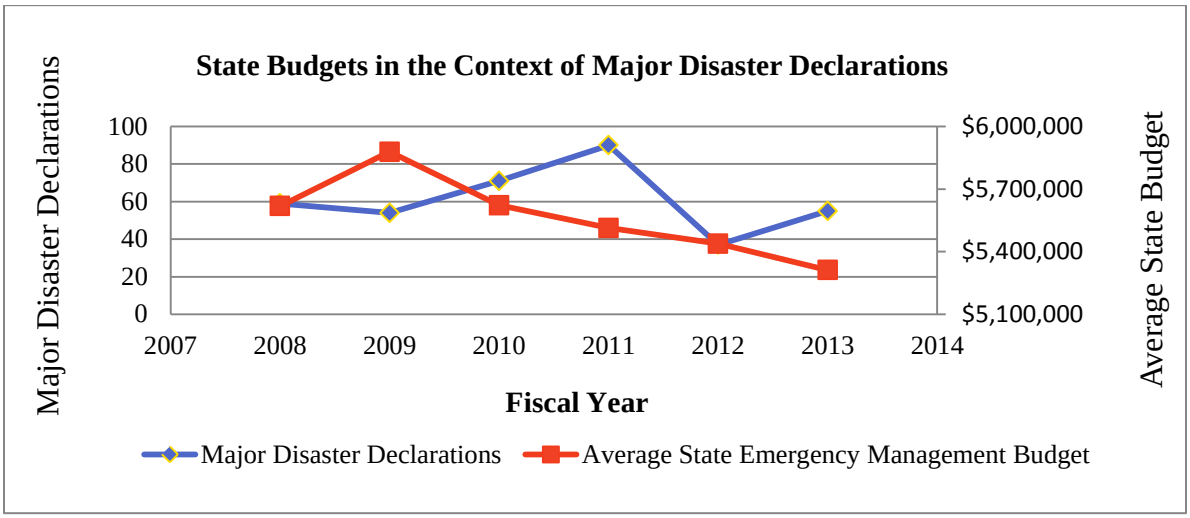

Figure 8: The Relationship Between Average State Emergency Management Budget And Major Disaster Declarations[48]

generally increased with the exception of FY 2012. Likewise, state-declared emergencies increased 39% between 2010 and 2011.[49] The reduced administrative burden from having a larger number of small projects from raising the maximum threshold and fewer PWs to review because of raising the minimum threshold could assist them in processing PA grants even in times with limited resources.

States Responses

Nine states, via the National Emergency Management Association (NEMA), provided specific input on whether to change the maximum threshold.[50] The majority of states supported increasing the maximum threshold, while four provided their reasons for not raising the maximum threshold. Many states commented on more than one issue (see Appendix 3). States supported raising the maximum threshold because there could be administrative savings to subgrantees, grantees, and FEMA, due to fewer required activities under the Simplified Procedures. Raising the maximum threshold could allow some grantees to spend more time on large projects and less time on projects that would no longer be reconciled and closed out under FEMA requirements for large projects. More consolidated PWs that are under the Simplified Procedures would also lead to administrative savings. With more projects being eligible for Simplified Procedures, funds from many of those projects could be obligated sooner to the grantee.[51]

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http://knowledgecenter.csg.org/kc/system/files/bell_2013.pdf (This analysis excludes the following states / territories: DE, PR, USVI, CNMI, American Samoa (did not provide budget data for all 6 years), and AL, FL and NJ (each had over 200% difference in State Emergency Management budget between two consecutive years)).

[48] *Id.*

[49] NEMA, *Biennial Report* (2012), *available at* http://www.nemaweb.org/index.php?option=com_pollydoc&format=raw&id=2703&view=doc.

[50] NEMA requested comments on the change to threshold from all states and territories, and asked that responses be sent to their office or to FEMA directly. There were eleven responses, and two were repeated, as the State provided input through both channels.

[51] Due to unrelated, required reviews for insurance, environmental and historical preservation, and other state and local requirements, there could additional time needed for the approval and obligation of all PWs, both large and small. Since funds are

States cited some reasons for not increasing the maximum threshold, including the views that faster obligation of funds does not improve the speed of recovery, a lack of experience by the subgrantee and/or grantee in estimating project cost could reduce funding, and the trend towards consolidation will make PWs more complex. However, FEMA believes that many of these concerns are already, or can be easily addressed (for additional details see Appendix 3).

Appeals For Small Project Overruns

Underestimating a project may be a concern for some subgrantees. However, subgrantees have the option of appealing for additional funding when additional costs are incurred for work documented on their small project PWs.[52] A Net Small Project Overrun (NSPO) is an appeal for the subgrantee's small project overrun when the combined actual costs of all small projects for that subgrantee exceed the combined estimated costs.[53] To appeal, subgrantees have to financially reconcile all small projects that apply to a particular disaster, meaning the work on all of their small projects must be completed.[54] FEMA validates all the work for eligibility and costs, and if there is a net overrun, writes a PW for the NSPO amount.[55]

The concept behind an NSPO is that subgrantees only need to apply if there are significant small project overruns above and beyond any underruns from other small projects. Subgrantees have the freedom to spend any underrun from a small project estimate on the overrun from another small project.

FEMA reviewed data on the number of NSPO PWs to assess how frequently an NSPO is requested and granted. The average number of NSPO PWs was less than four per year across the entire country. Within a seven-year period, 26 NSPO PWs were written, with the average amount per NSPO PW of $10,500. According to regional data, FEMA granted almost all NPSOs requested in this period.

The low number of NSPO appeals demonstrates that having a maximum threshold for Simplified Procedures is working and could be expanded. In addition, the existence of the NSPO process means that even if subgrantees do significantly underestimate the cost of a project, they still have a mechanism to appeal for additional funding.

Public Assistance Alternative Procedures (PAAP) Pilot Program

SRIA added Section 428[56] to the Stafford Act, which authorizes alternative procedures for implementing the PA program.[57] FEMA began implementing these procedures on a pilot basis in May and June 2013. Section 428 identifies the following goals for the alternative procedures:

- Reducing the costs to the Federal Government of providing PA;

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obligated to grantees for them to then make available to subgrantees, FEMA does not have the authority to change the procedures of grantees.

[52] *See* 44 C.F.R. § 206.204(e).

[53] *Id*.

[54] *Id*.

[55] *Id*.

[56] *See* Stafford Act § 428 (42 U.S.C. §5189f).

[57] *Id.; see also* FEMA, *PAAP Pilot Program Summary* (May 20, 2013), *available at* https://s3-us-gov-west-1.amazonaws.com/dam-production/uploads/20130726-1916-25045-6442/pa_alternative_procedures_summary_briefing.pdf (last visited August 20, 2013).

- Increasing flexibility in the administration of such assistance;
- Expediting the provision of assistance; and
- Providing financial incentives and disincentives for timely and cost-effective completion of projects with such assistance.

Comparing Simplified Procedures to both the Permanent Work and Debris PAAP programs, raising the maximum threshold supports the same goals as the PAAP outlined above (see Appendix 2). While changing the threshold will happen during PAAP implementation, the two efforts will complement each other.

Conclusion:
Based on the above analysis, FEMA believes raising the minimum and maximum thresholds would be advantageous to the subgrantees, the grantees, and FEMA. First, it would continue to encourage and augment existing efforts to consolidate project worksheets. Second, based on feedback from the states, FEMA believes the administrative burden of most parties would decrease. Lastly, raising the maximum threshold provide additional flexibility for subgrantees and grantees.

This increase would not be without some disadvantages. Subgrantees' PWs below the higher minimum threshold might not receive FEMA funding if they cannot logically group and consolidate PWs with eligible work. However, in most cases, eligible work could be grouped and the project, once above the higher minimum threshold, would still be funded. In addition, grantees would not incur administrative costs from processing the smallest grants.

Another risk is that small projects are not deobligated if estimates exceed actual costs. Thus, projects that fall between the current and the increased maximum threshold would no longer have deobligations. However, FEMA reviews the subgrantee's estimates and excess funds may be used between a subgrantee's projects, providing the most flexibility to the subgrantee. FEMA believes, therefore, that the administrative benefits of raising the thresholds outweigh the risks of not recouping deobligations.

B. How To Raise The Thresholds?

As FEMA has found it in the best interest of the subgrantees, grantees, and FEMA to raise the thresholds, the next question to answer is how much to raise each of the thresholds?

1) How Much To Raise The Maximum Threshold?

To search for potential alternative thresholds, FEMA mapped the number of projects and total dollars by project amount since 2007. Projects with project amounts below $100,000 made up 91 % of the total count of PWs. Projects between $120,000 to $190,000 only increase the cumulative total percent of number of projects by 2%, from 93 to 95% (see Figure 9). Projects between $120,000 and $400,000 only increase the cumulative total percent of projects by 5%, from 93 to 98%.

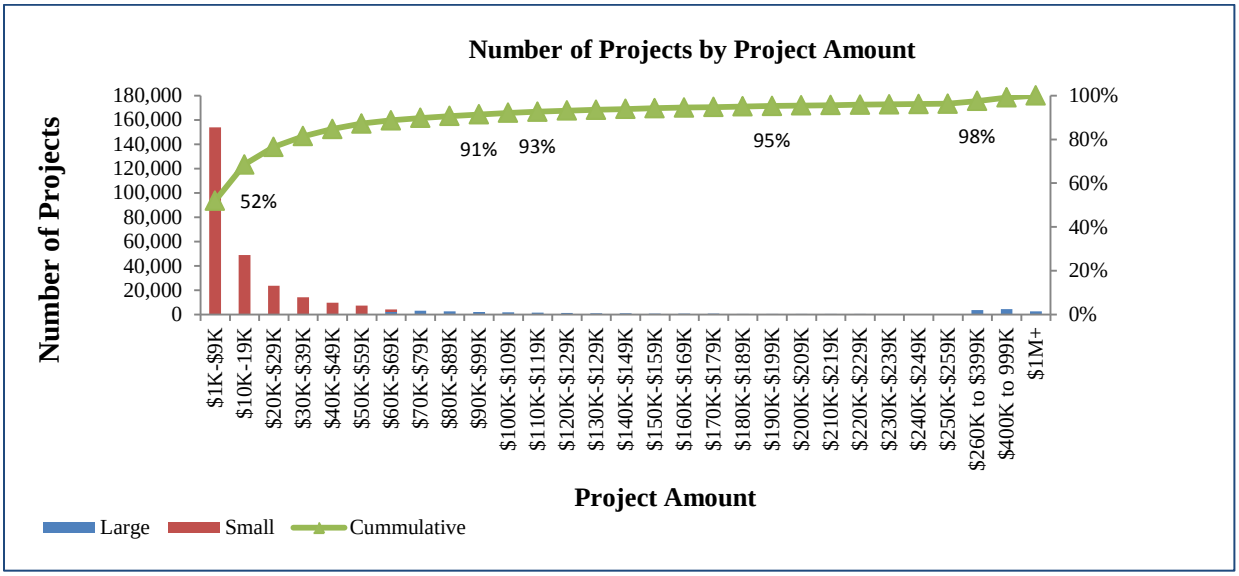

Figure 9: Number Of Projects By Project Amount (For Declarations Between FY 2007-FY 2013)

FEMA then examined the total dollars by project amount. Total dollars for project amount between $1,000 and $70,000, approximately $3.6 billion over 7 years, make up 15% of the cumulative total project amount dollars of PA. As displayed in the graph, 98% of projects are written for projects with project amounts under $400,000. However, those projects only make up 33% of the project amount dollars (see Figure 10).

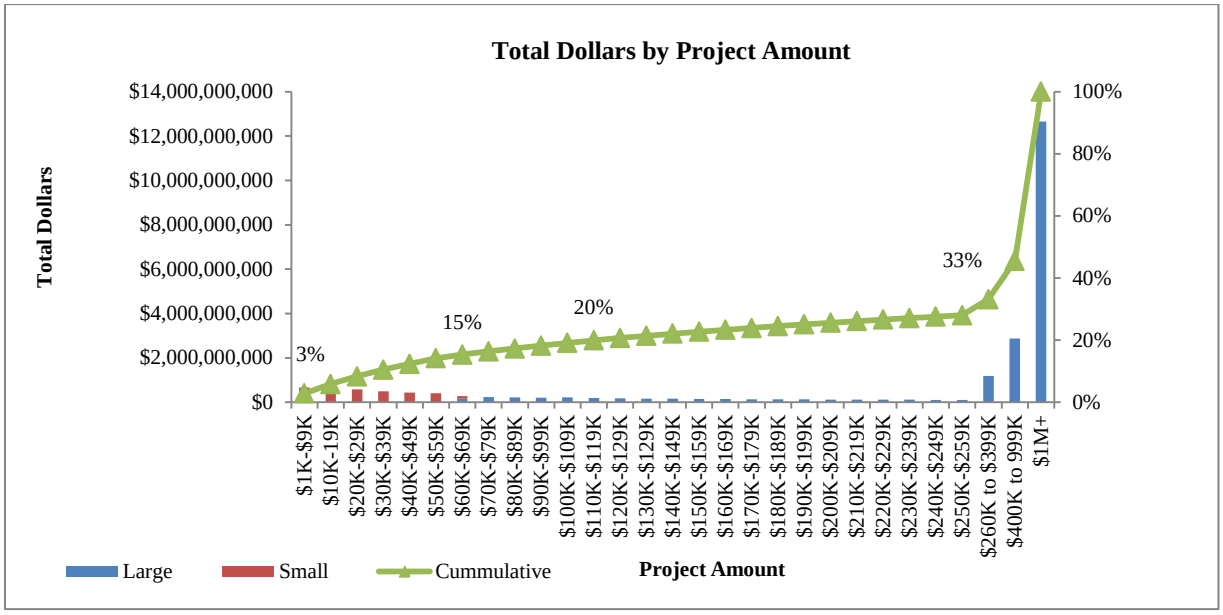

Figure 10: Total PA Dollars By Project Amount (For Declarations Between FY 2007-FY 2013)

Proposed Options

FEMA originally proposed four alternatives for the maximum threshold under the Simplified Procedures, but quickly narrowed the choices to three alternatives. The original four options include alternative maximum Simplified Procedures thresholds of $100,000, $120,000, $190,000, and $395,000.

The $100,000 alternative is a proposed option because multiple states and FEMA regional offices suggested it as the new amount. The alternative of $120,000 is a proposed option because this threshold would result in 20% of the cumulative PA total project amounts (see Figure 10), and 20% is also the median percentage of project amount dollars for disasters declared in the last seven years (see Figure 11). In addition, 93% of the total number of projects are for project amounts below $120,000.

	Percentage of small projects out of the total number of projects
FY 2007 -$59,700	22%
FY 2008 -$60,900	11%
FY 2009 -$63,200	25%
FY 2010 -$63,900	20%
FY 2011 -$64,200	21%
FY 2012 -$66,400	12%
FY 2013 -$67,500	5%
Median	20%

Figure 11: Median Percentage Of Small Projects, By Declaration Year

FEMA proposed the $190,000 alternative based on a percentage described in the *House Report*[58] from 1988, when the small project threshold was set at $35,000. At the time the *House Report* was written, the initial $35,000 threshold made up 95% of the total number of PWs. In 2013, to set the threshold so 95% of the total number of PWs are classified as small, FEMA would need to raise the threshold to $190,000. In 1988, the $35,000 threshold accounted for small projects making up 32% of all project amounts. FEMA rounded up to one-third, and determined that 33% of total project amounts corresponds to a threshold of $395,000. FEMA believes the $395,000 threshold is too high and quickly eliminated this option. Figure 12 summarizes the remaining options.

	Existing Threshold	$100K Threshold applied to 7 years of data	$120K Threshold applied to 7 years of data	$190K Threshold applied to 7 years of data
% of small projects (Number of PWs)	88%	91%	93%	95%
% of all total project amounts (Federal and Non-Federal Shares) applied to small projects	15%	18%	20%	25%

Figure 12: Comparison Of Current And Alternate Thresholds

Future Projections Of The Options

By statutory requirement, FEMA will adjust the alternative threshold for CPI once set. FEMA estimated the projected increase based on CPI adjustments for the current and alternatives thresholds.[59] Based on these projections, the $190,000 threshold will reach $261,745 by 2029

[58] *See* H.R. REP. NO. 100-517 (1988).
[59] See footnote 37 for calculation of projected thresholds.

(see Figure 13). The $100,000 and $120,000 options are projected to increase to $137,761 and $165,313, respectfully, by 2029.

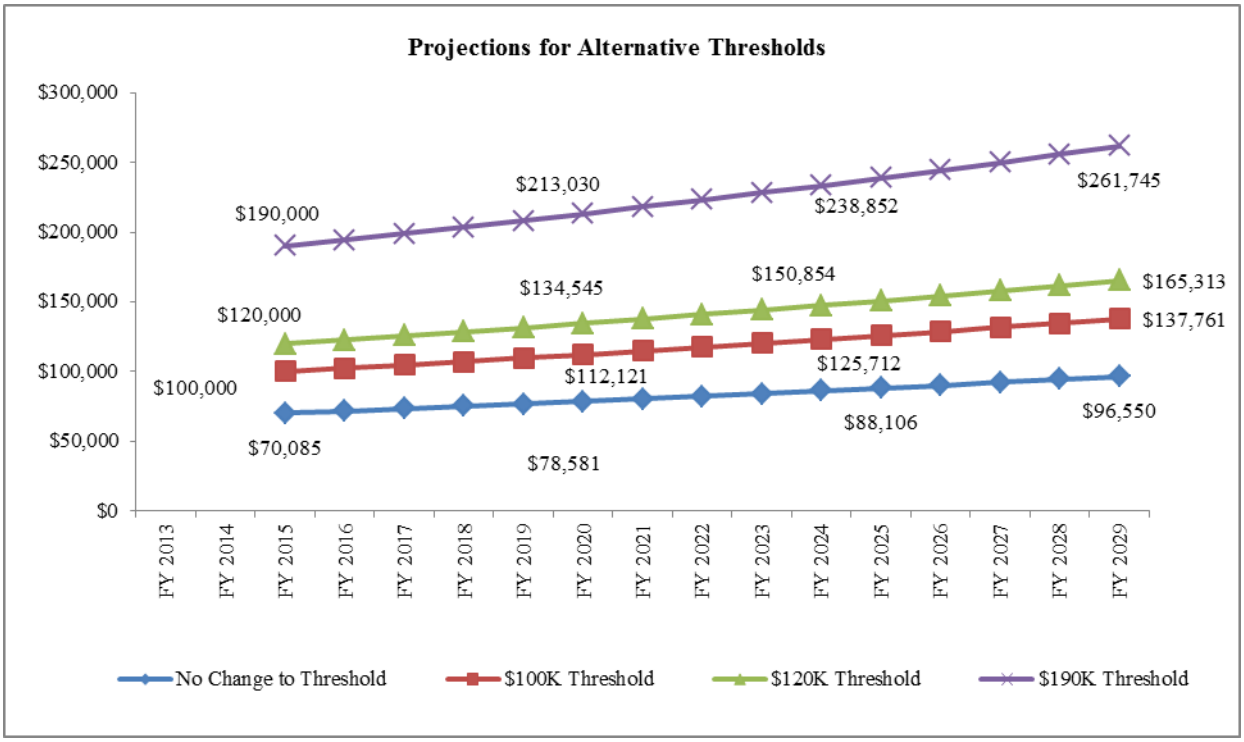

Figure 13: Projected Increases In Current And Alternative Threshold

Impact Of Options On States

In addition, FEMA examined the potential impact of raising the maximum threshold to specific alternatives on subgrantees and grantees. FEMA seeks an alternative maximum threshold which balances expected administrative savings for all parties with grantee concerns that subgrantees would not be able to recoup (without an NSPO) additional funds if they under estimate their projects.

FEMA determined that a state would be highly impacted if more than 10% of their projects would become small or if more than 600 of their projects from the past seven years would become small. Using historic data as an illustration of what might happen in the future, five states total would be highly impacted if the threshold were $100,000 (see Figure 14). Based on the $120,000 threshold, only nine states would be impacted while at $190,000, 18 states would be affected. In general, states that have more than 600 projects impacted in seven years are states that have a large number of projects already, and states with more than 10% of projects affected have comparatively fewer projects overall.

From this analysis, FEMA determined that the $100,000 and $120,000 alternatives were preferable to the $190,000. These two have a more conservative impact on the subgrantees and grantees while still influencing states with the highest number of projects, where efficiencies are most needed.

States where more than 10% of its projects in 7 years would become small *(% of projects in that state affected, # of projects affected)*	**States where more than 600 projects in 7 years would become small** *(# of projects affected, % of projects in that state affected)*
Estimated State Impact Based on $100,000 Alternative Threshold	
Nevada (15%, 4 projects)	Texas (4%, 939 projects)
Arizona (12%, 16 projects)	New York (4%, 887 projects)
	New Jersey (5%, 708 projects)
Estimated State Impact Based on $120,000 Alternative Threshold	
Nevada (19% , 5 projects)	New York (5%, 1217 projects)
Arizona (15%, 16 projects)	Texas (6%, 1217 projects)
District of Columbia (12%, 45 projects)	New Jersey (6%, 974 projects)
Hawaii (11%, 25 projects)	Iowa (5%, 793 projects)
	Louisiana (8%, 722 projects)
Estimated State Impact Based on $190,000 Alternative Threshold	
Nevada (26%, 7 projects)	New York (8%, 1907 projects)
Arizona (23%, 24 projects)	Texas (8%, 1779 projects)
American Samoa (20%, 35 projects)	New Jersey (8%, 1514 projects)
District of Columbia (17%, 67 projects)	Iowa (10%, 1190 projects)
Alaska (17%, 90 projects)	Louisiana (12%, 1111 projects)
California (14%, 399 projects)	Oklahoma (6%, 751 projects)
Hawaii (14%, 34 projects)	
Colorado (13%, 53 projects)	
Connecticut (12%, 505 projects)	
Louisiana (12%, 1111 projects)	
Virginia (11%, 323 projects)	
Idaho (11%, 20 projects)	

Figure 14: Impact Of Three Threshold Options On States

2) How Much To Raise The Minimum Threshold

Based on the above analysis, the $100,000 and $120,000 thresholds are appropriate options for raising the maximum threshold for Simplified Procedures.

Developing Options

The current minimum threshold is $1,000, which was set and has not changed since 1993. FEMA recommends adjusting the minimum threshold for CPI in the same way that the Simplified Procedures maximum threshold has been adjusted. If FEMA had been adjusting it each year since 1993, the minimum threshold would now be $1,612.[60] Based on the options proposed for the maximum threshold, FEMA applied the same percentage change between the current maximum threshold ($68,500) and the proposed options ($100,000, $120,000, and $190,000) to the adjusted $1,612 amount, which resulted in the following three options for the minimum threshold: $2,500, $3,000, and $4,500 (see Figure 15).

[60]FEMA used data from the BLS from September 1993 to CPI data of August 2013, the latest available at the time of this report. Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers, Original Data Value, Series Id: CUUR0000SA0, Not Seasonally Adjusted, Area: U.S. city average, Item: All items, Base Period: 1982-84=100, Years: 1992 to 2013. FEMA calculated an increase in CPI from 1993 to 2013, based on the CPI of September 1993 divided by CPI of August 2013, (145.1/233.877= 1.6118). FEMA multiplies this by $1,000 to calculate a CPI-adjusted amount, $1,612, if the threshold was adjusted from 1993. Available at: ftp://ftp.bls.gov/PUB/special.requests/CPI/cpiai.txt.

	Threshold Alternative	Percentage difference from current	Applying % difference to CPI adjusted minimum	Rounded to the nearest $500
1	$68,500 (current)		$1,612 (current +CPI)	
2	$100,000	(100k/68.5k) - 1 = 46%	$2,353	$2,500
3	$120,000	(120k/68.5k) - 1 = 75%	$2,824	$3,000
4	$190,000	(190k/68.5k) - 1 = 177%	$4,471	$4,500

Figure 15: Options For The Minimum Threshold Based On Maximum Threshold Changes

Impact Of Alternative Minimums On Subgrantees And Grantees

FEMA applied the three alternative minimum thresholds to PWs from the past seven years to estimate how many PWs would no longer be created, administered and closed. FEMA also estimated the reduction in obligations if these PWs were not written and not consolidated. These higher thresholds would mean thousands of fewer PWs to formulate, resulting in administrative savings, but with negligible potential impact (less than 1%) on the total PA obligated dollars (see Figure 16).

Alternative Minimum Thresholds	Number of projects that would not have been created	Dollars obligated from projects that might not have been written or consolidated at new alternative minimums[61]	Percent of Total Obligated Dollars ($17.7Billion)
2,500	47,698	$61.3 million	0.3%
3,000	60,662	$88.4 million	0.5%
4,500	90,568	$173.2 million	1.0%

Figure 16: Impacts Of Alternative Minimum Threshold Based On Application To Previous Seven Years

Recognizing that not funding projects could negatively impact states, FEMA examined which states would be most impacted by potential alternative minimum thresholds over the last seven years as an example of who might be impacted in the future. Overall, at an alternative minimum of $2,500, the maximum state loss is $4.5 million compared to $6.6 million at $3,000 and $12.5 million at an alternative minimum threshold of $4,500 (see Figure 17). However, many of these potential losses would occur in states where there are already a significant number of projects. Thus, some of the work would likely be consolidated into similar projects, allowing subgrantees and grantees to still receive the funding. FEMA also examined which states might not have received 2% or more of their obligated dollars over seven years because those states might be less likely to consolidate all of their work to meet the new higher minimum threshold. The following data is strictly illustrative, based on past disaster activity. The same states may not be impacted in the future.

[61] FEMA believes that subgrantees will consolidate eligible projects towards the new alternative minimum threshold and, therefore, does not expect that these dollars would not be obligated in the future.

Sample states which might be impacted by a reduction of more than 2% of obligations with new minimum of $4,500	Maximum % of obligations that may not have occurred if work could not be consolidated
Maine	5.89% ($3.6M)
South Dakota	4.23% ($7.0M)
New Hampshire	3.61% ($2.9M)
Wisconsin	3.44% ($3.5M)
Arkansas	3.04% ($11.2M)
Sample states which might be impacted by a reduction of more than 2% of obligations with new minimum of $3,000	**Maximum % of obligations that may not have occurred if work could not be consolidated**
Maine	3.07% ($1.9M)
South Dakota	2.13% ($3.5M)
Sample states which might be impacted by a reduction of more than 2% of obligations with new minimum of $2,500	**Maximum % of obligations that may not have occurred if work could not be consolidated**
Maine	2.15% ($1.3M)

Figure 17: Illustration Of The Potential Maximum Impact Of Raising The Minimum Thresholds On States.

With only two states having a maximum of 2% or more of their obligations affected, the $3,000 minimum threshold option can significantly decrease the number of PWs written while having a limited impact on states.[62]

3) How Do Cost Savings Inform Threshold Options?

Savings From Raising the Maximum Threshold

FEMA estimates that, on average, it costs the agency at least an additional $1,150.75 per PW to process a large project over a small project. [63] This is due to the reduction in final reconciliation and closeout time in small projects compared to large projects. FEMA also examined the number grantee and subgrantee forms that would be impacted by changing the maximum thresholds.[64] Projects that would have been considered large prior to increasing the maximum threshold would have had to complete supplemental forms to account for actual costs. By increasing the maximum threshold, FEMA expects these same projects would be considered small and would be paid based on estimated costs, reducing the need for, and time spent to complete, the supplemental forms identified in Figure 18.

[62] Over the last seven years, Maine and South Dakota have had a moderate level of disaster activity (considering the number of declarations and funds obligated). However, both states tend to write smaller projects as evidenced by the fact that they have the lowest average small project amount in the nation and have among the highest percent of small projects compared to large projects, which is respectively 96% and 94%. Therefore, both states would likely benefit from project consolidation.

[63] Based on regional input, the average large project takes 24.8 hours and small project takes 4.9 hours to close. FEMA uses the average hourly wage of $41.30 for FEMA's 10 Regional Offices' Locality Pay (GS 11, 12, 13 Step 1-10), available at http://archive.opm.gov/oca/12tables/indexGS.asp. FEMA calculated the fully loaded hourly wage by multiplying the average hourly wage by 1.4, to include a 40% benefits factor, resulting in $57.82 per hour. FEMA multiplies the time for large and small projects by the fully loaded hourly wage, resulting in $1,434 close cost for large and $283 for small, with a difference of -$1,151, the administrative efficiencies between a large and small project.

[64] Public Assistance Program, Paperwork Reduction Act Information Collection Supporting Statement, OMB Control Number: 1660 – 0017, *available at:* www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=201304-1660-001, see Supporting Statement A.

Form Name / Form Number	Average Time per Form (in hours)[65]
FEMA Form 009-0-123, Force Account Labor Summary Record	0.5
FEMA Form 009-0-124, Materials Summary Record	0.25
FEMA Form 009-0-125, Rented Equipment Summary Record	0.5
FEMA Form 009-0-126, Contract Work Summary Record	0.5
FEMA Form 009-0-127, Force Account Equipment Summary Record	0.25

Figure 18: Forms Affected by Raising Maximum Threshold

FEMA estimates a savings of $110.72 for every formerly large project that would become a small project.[66]

While there is administrative savings associated with raising the maximum threshold, FEMA also recognizes that when the estimates exceed actual costs for those projects that are re-categorized as small, FEMA would no longer deobligate those dollars and they would be transferred to the grantees. FEMA acknowledges that by allowing subgrantees to keep underruns, and not recoup the dollars, the funds are still providing some benefit to the public, however, there may be some net efficiency loss in the transfer due to the lower-level of oversight.

The transfer amount that will not be recouped ranges from $12M to $39M[67] for the alternatives considered, but the extent to which these transferred funds would be used inefficiently is highly uncertain, and FEMA does not have data that would allow it to develop a primary point estimate. To deal with this uncertainty, FEMA estimated efficiency losses using five alternative assumptions for the percentage of efficiency lost due to less oversight: 10%, 25%, 50%, 75%, and 90%. Absent information that would allow FEMA to determine the most plausible assumption, FEMA considers each alternative equally plausible for the purpose of this analysis. As such, FEMA has taken an average of the values generated with each assumption, which result in expected efficiency loss estimates between $6M and $19M (see Figure 20, Line F and Appendix 4 Figure 21).

A maximum threshold of $120,000 has the highest net cost-savings of $9M, compared to $7M for the$100,000 option and $7.1M for the $190,000 option (see Figure 20, Line G).

[65] Id

[66] To estimate cost savings, FEMA used the Bureau of Labor Statistics data for average hourly wage rates for Management Occupations for State Governments, $39.54. To account for benefits, FEMA multiplied the wage rate by 1.4 to obtain a fully loaded hourly wage of $55.36. FEMA multiplied the respective time for changes to the forms based on the maximum threshold, a total of 2 hours by $55.36 to estimate a cost savings of $110.72 per project. Bureau of Labor Statistics, May 2012 National Industry-Specific Occupational Employment and Wage Estimates, NAICS 999200 - State Government, excluding schools and hospitals (OES Designation), Occupation Code 110000, Management Occupations, Last Modified Date: January 6, 2014 Available at: http://www.bls.gov/oes/current/naics4_999200.htm

[67] To estimate de-obligations that would no longer be recouped due to large projects falling under simplified procedures, FEMA filtered all de-obligation data for descriptions that could be associated with closeout of a large project but would not take place on a small project FEMA filtered de-obligations, line item descriptions for terms such as final cost, actual cost, close out, under-run, final project cost, unused funds, de-obligate final funds, excess funds, over fund, reconciliation, final reconciliation, large project cost, final recoupment. FEMA used several iterative spellings of these terms to isolate free text line item descriptions to isolate only de-obligations that would be tied to the change from large projects to small projects. For the $100k, $120k, and $190k maximum options the respective estimated funds FEMA would no longer recoup are $12M, $17M, and $39M.

Savings From Raising the Minimum Threshold

If FEMA raises the minimum threshold, a number of PWs for the smallest project amounts would no longer be written and closed. FEMA believes that the eligible work on these projects would be consolidated into fewer PWs. FEMA is uncertain what the consolidation rate would be and therefore, calculated the expected reduction in PWs using three alternative assumptions which FEMA treats as equally plausible for the purpose of this analysis: 50%, 66% and 75% (see Figure 20, Line H and Appendix 4 Figure 22). The cost savings for this reduction in administrative time for FEMA is estimated to be $370.11 per PW.[68] Grantees would also send less time preparing fewer forms, specifically FEMA Form 009-0-91.

Form Name / Form Number	Average Time per Form (in hours)[69]
FEMA Form 009-0-91, Project Worksheet (PW) and a *Request for Time Extension*	1.3

Figure 19: Forms Affected by Raising Minimum Threshold

Due to the reduced need to complete supplemental forms, FEMA estimates a savings of $71.97 for every PW that would no longer be written.[70]

FEMA acknowledges that a minimum threshold of $4,500 produces the most administrative savings (see Figure 20, Line M). However, raising the minimum threshold to $4,500 could also cause the largest number of projects to not qualify for the PA program, if they were not eligible for consolidation, impacting the most states (see Figure 17). FEMA has greater confidence that subgrantees will be able to consolidate eligible work into projects to meet a $3,000 minimum threshold than to meet a $4,500 threshold. Thus, FEMA does not believe that the benefits from administrative savings alone outweigh the risks of subgrantees not receiving PA funding. Therefore, FEMA recommends an alternative minimum threshold of $3,000.

Conclusion

Based on the above analysis, FEMA recommends raising the eligibility for Simplified Procedures to $120,000 for the maximum threshold and $3,000 for the minimum threshold.

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[68] FEMA estimates this savings based on reduction in time spent writing a PW, estimated at 90 minutes for FEMA staff, and the regional average of 4.9 hours to close-out a small project PW, (1.5hr +4.9 hr =6.4 hrs), multiplied by the fully loaded hourly wage for FEMA regional staff of $57.82, resulting in $370.11. The 90 minute estimate is highly weighted by the number of small projects, since they constitute the majority of PWs written. PWs for large projects often take considerably more time to write.

[69] Public Assistance Program, Paperwork Reduction Act Information Collection Supporting Statement, OMB Control Number: 1660 – 0017, *available at:* www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=201304-1660-001, see Supporting Statement A.

[70] To estimate cost savings, FEMA used the Bureau of Labor Statistics data for average hourly wage rates for Management Occupations for State Governments, $39.54. To account for benefits, FEMA multiplied the wage rate by 1.4 to obtain a fully loaded hourly wage of $55.36. FEMA multiplied the time for changes in the minimum threshold, 1.3 hours by $55.36 to estimate cost savings of $71.97 per project that will get consolidated and no longer written separately. Bureau of Labor Statistics, May 2012 National Industry-Specific Occupational Employment and Wage Estimates, NAICS 999200 - State Government, excluding schools and hospitals (OES Designation), Occupation Code 110000, Management Occupations, Last Modified Date: January 6, 2014 Available at: http://www.bls.gov/oes/current/naics4_999200.htm

Administrative Cost Efficiencies Maximum Threshold				
Admin Cost Efficiencies FEMA (Large Project Threshold)		**$100,000**	**$120,000**	**$190,000**
Increase in the number of Small Project PWs over 7 years	**A**	10,304	14,012	21,041
Dollars per PW estimated not incurred due to reduced FEMA time, changed Large to Small	**B**	$1,150.75		
Cost Efficiencies to FEMA over 7 years	**C = A*B**	$11,857,328	$16,124,309	$24,212,931
Admin Cost Efficiencies Grantee/Subgrantee (Maximum)				
Decrease in the number of Large Project PWs over 7 years	**A**	10,304	14,012	21,041
Dollars per PW to Grantees/Subgrantees (Reduction in forms)	**D**	$110.72		
Cost Efficiencies to Grantees/Subgrantees (Reduction in forms) over 7 years	**E = A*D**	$1,140,859	$1,551,409	$2,329,660
Potential Losses from not deobligating projects that are over estimated				
Expected Value of the loss of efficiency in the transfer of federal dollars which are not deobligated over 7 years	**F**	$(5,949,451.00)	$(8,602,811)	$(19,443,109)
Total Cost Efficiencies from Maximum Threshold	**G=C +E+F**	**$7,048,736**	**$9,072,907**	**$7,099,482**
Administrative Cost Efficiencies Minimum Threshold				
Admin Cost Efficiencies FEMA (Minimum Threshold)		**$2,500**	**$3,000**	**$4,500**
Expected reduction in PWs (equal probability that 2 PWs would become 1, 3 PWs would become 1, and 4 PWs would become 1)	**H**	30,368	38,621	57,662
Dollars per PW estimated not incurred due to reduced FEMA time, fewer PWs written and closed alternative minimum threshold	**I**	$370.11		
Administrative Cost Efficiencies FEMA over 7 years	**J = H * I**	$11,239,500	$14,294,018	$21,341,283
Minimum Threshold Options				
Expected reduction in PWs (equal probability that 2 PWs would become 1, 3 PWs would become 1, and 4 PWs would become 1)	**H**	30,368	38,621	57,662
Cost Savings to Grantees/Subgrantees Per PW (Reduction in submitted forms)	**K**	$71.97		
Cost Efficiencies to Grantees/Subgrantees Min (Reduction in submitted forms)	**L = H * K**	$2,185,585	$2,779,553	$4,149,934
Total Cost Efficiencies from Minimum Threshold	**M=J+L**	**$13,425,085**	**$17,073,572**	**$25,491,217**

Figure 20: Net Impacts For Alternatives To Maximum Threshold And Minimum Threshold

V. Conclusion

FEMA analyzed whether an increase in both the thresholds relevant to Simplified Procedures (the maximum threshold for Simplified Procedures and the minimum threshold for PA project eligibility) are appropriate programmatically and based on risks. Based on the quantitative and qualitative data, FEMA has determined that an increase in both thresholds would benefit subgrantees, grantees, and FEMA because of ongoing changes in the PA program, projected administrative efficiency and additional flexibility provided to subgrantees and grantees. FEMA specifically recommends raising the Simplified Procedures maximum threshold to $120,000 and also raising the minimum threshold of a project to $3,000, and adjusting both for CPI annually.

FEMA will take the following actions to implement these changes following the submission of this report:

- Develop a data collection methodology to determine whether the increase has the expected benefits to the subgrantees, grantees, and FEMA that this analysis projects;
- Solicit public comment on this report via formal notice in the Federal Register;
- Make alterations to the EMMIE database allowing for a streamlined data collection and reporting process;
- Distribute program guidance outlining the data collection process; and
- Publish a document(s) in the Federal Register implementing these changes prospectively.

As required by law, FEMA will review this determination in three years and determine if further action is required.

Appendix 1: Abbreviations

CPI	Consumer Price Index
DHS	Department of Homeland Security
EDW	Enterprise Data Warehouse
EMMIE	Emergency Management Mission Integrated Environment
FEMA	Federal Emergency Management Agency
NEMA	National Emergency Management Association
NEMIS	National Emergency Management Information System
NSPO	Net Small Project Overruns
Stafford Act	*Robert T. Stafford Disaster Relief and Emergency Assistance Act*
SRIA	*Sandy Recovery Improvement Act of 2013*
PA	Public Assistance
PAAP	Public Assistance Alternative Procedures
PW	Project Worksheet

Appendix 2: Simplified and Alternative Procedures

	Simplified Procedures	Permanent Work PAAP	Debris PAAP	Normal Large Project
Overruns and Underruns	Can keep underruns; can apply for NSPO	Can keep the excess funds with restrictions; Overruns cannot be appealed	Overruns and underruns adjusted to actual costs for eligible work	Overruns and underruns adjusted to actual costs for eligible work
Payment of Federal share	Funds available to subgrantee as soon as practicable	Once all parties agree on PW estimate, funds available as soon as practicable	Funds reimbursed after work completed and documented	Costs reconciled once all work complete
Distribution of funds between projects	Use funds between projects, allowing excess funds to be utilized	Use excess funds between consolidated projects, with some restrictions; no penalty for alternate projects[71]	Does not allow funds to be used between projects	May not move funds between projects
Administrative Burden	Reduced financial reconciliation and closeout procedures	Limitations on use of excess funds; subgrantees are not eligible for additional funds	Paid based on actual costs of work completed and documented	Paid based on actual costs of work completed and documented

[71] *See* 44 C.F.R. § 206.203(d)(2).

Appendix 3: Summary of State Input

Impact of raising threshold	State Input	FEMA's Response
Support for Increasing the maximum threshold		
Decreased administrative requirements (5 states)	Administrative requirements would decrease. Increasing threshold would create more small projects.	FEMA concurs.
Improve speed of recovery (4 states)	Small projects allow subgrantees to be paid when the PW is approved. Small projects funds are then obligated as soon as approved, which provides funding to subgrantees faster and with fewer administrative hurdles.	FEMA concurs.
Increase capacity of grantees (2 states)	An increasing number of projects have been large in recent years (see Figure 2) and thus, have created a greater level of work for both the subgrantee and grantee. Therefore, raising the threshold would decrease this burden.	FEMA concurs.
Accommodation for the initiative to consolidate projects (1 state)	A higher percentage of projects are large when PWs are consolidated as recommended in the PA Pocket Guide. If the threshold is also raised, more projects remain small, which minimizes the administrative cost and work to oversee the grant.	FEMA concurs.
Reasons States provided for not raising the maximum threshold		
Faster obligation of funds does not improve the speed of recovery (2 states)	Speed of recovery is due to many factors, including the complexity of the project, the local budgets of the subgrantee, and the availability of force account or contractors to perform the work.	Improving speed of recovery is complex. However, increasing the threshold would speed the obligation of funds from FEMA to the grantee. Since a lack of funding is an obstacle to getting project work started, allowing funds to be disbursed earlier will assist in these projects starting sooner.
Lack of estimating experience could reduce subgrantee funding (1 state)	The current threshold protects subgrantees that lack experience estimating disaster damage due to lack of recently declared disasters.	FEMA acknowledges there are risks in estimates, but has implemented procedures to improve the accuracy of the estimates in order to protect subgrantees. Subgrantees will still have the option of an NSPO if the estimates are dramatically low.

Appendix 4: Additional Calculations

		Alternate Maximum Thresholds		
		$100K	**$120K**	**190K**
Transfers no longer de-obligated due to under-run kept by subgrantee (7 years)	A	$(11,898,902)	$ (17,205,622)	$ (38,886,218)
90% Efficiency Loss from Transfers	B = A * 0.9	$(10,709,012)	$(15,485,060)	$(34,997,596)
75% Efficiency Loss from Transfers	C = A * 0.75	$(8,924,177)	$(12,904,217)	$(29,164,664)
50% Efficiency Loss from Transfers	D = A * 0.5	$(5,949,451)	$ (8,602,811)	$(19,443,109)
25% Efficiency Loss from Transfers	E = A * 0.25	$(2,974,726)	$(4,301,406)	$ (9,721,555)
10% Efficiency Loss from Transfers	F = A * 0.1	$(1,189,890)	$(1,720,562)	$(3,888,622)
Expected Value of Efficiency Loss from Transfers (7 years)	**G = Average (B-F)**	**$(5,949,451)**	**$(8,602,811)**	**$(19,443,109)**

Figure 21: Detail of Calculations for Expected Value of Efficiency Loss from Transfers (7 years) (Figure 20 Line F)

		Alternative Minimum		
		2,500	**3,000**	**4,500**
Total PWs between $1,000 and minimum option over 7 years	A	47,698	60,662	90,568
50% of A	B = A * 0.5	23,849	30,331	45,284
66% of A	C = A * 0.66	31,481	40,037	59,775
75% of A	D = A * 0.75	35,774	45,497	67,926
	E = Average (B-D)	**30,368**	**38,621**	**57,662**

Figure 22: Detail of Calculations for Expected Reduction in PWs (Figure 20 Line H)