



FEMA

Frequently Asked Questions

Federal Insurance and Mitigation Administration

Strategic Funds Management Frequently Asked Questions (FAQs)

What is Strategic Funds Management?

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

SFM enhances FEMA's management of the Disaster Relief Fund (DRF) consistent with appropriations and the Budget Control Act of 2011.¹ SFM helps avoid project funding restrictions that may occur under Immediate Needs Funding (INF).

INF is implemented to preserve funding in the DRF for the immediate needs of current or future disasters.

How is an SFM project affected if FEMA implements Immediate Needs Funding?

The intent of SFM is to avoid implementation of INF. Generally, FEMA does not approve HMGP projects while INF is in effect. However, FEMA will continue to incrementally obligate funds according to subaward schedule once the INF is lifted.

Who is responsible for implementing SFM?

Recipients, subrecipients, and FEMA all have a role in implementing SFM.

FEMA, the Recipient, and the subrecipient review each subaward schedule, budget, and scope to determine which are appropriate for SFM. For SFM subawards, the Recipient and subrecipient must develop a schedule for obligations for each subaward.

FEMA's Office of Chief Financial Officer (OCFO) and the Federal Insurance and Mitigation Administration (FIMA) have developed SFM implementation guidance.

When did SFM roll out?

FEMA announced the implementation of SFM in a joint memorandum² dated June 11, 2012, from William Carwile, Associate Administrator for Response and Recovery, David Miller, Associate Administrator for Federal Insurance and Mitigation, and Edward Johnson, Chief Financial Officer to the FEMA Regional Administrators, Federal Coordinating Officers, Federal Disaster Recovery Coordinators, Regional Recovery Division Directors, Regional Mitigation Division Directors and Regional Comptrollers.

Why is implementing SFM important?

SFM is a tool that FEMA uses to manage the DRF more efficiently. SFM promotes fiscal responsibility and better project management by incrementally funding activities as project milestones are reached. SFM allows FEMA to reduce the amount of unexpended obligations over time by obligating project funds when subrecipients will use them (just-in-

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

² FEMA, "Strategic Funds Management Initiative," Memorandum, June 11, 2012. http://www.fema.gov/media-library-data/1394548502005-42bb9abe56db2e31f88211a30c2a4d88/SFM_signed_memo508.pdf

time obligations). This business practice supports FEMA's goal of maintaining DRF solvency.

What are the benefits of SFM?

SFM offers the following benefits:

- Uses principles of sound fiscal program management
- Improves the management of DRF resources by reducing the encumbrance of funds not currently needed to execute projects, which reduces the need for future INF restrictions
- Improves communication between FEMA and the Recipients
- Obligates funds needed to implement approved activities of a subaward based on work schedule
- Promotes effective program management by improving project oversight, limiting obligations to only approved work, adding transparency, and identifying unused funds

How does SFM work?

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

If an HMGP project is appropriate for SFM, FEMA, the Recipient, and the subrecipient will review and revise the budget to ensure that the project supports incremental obligation. Obligations are executed in increments, based on the project meeting an established project milestone schedule, until the project is completed.

Are all projects required to use SFM?

No. FEMA recognizes that certain projects may not be suitable for incremental funding. The following projects are not required to use SFM:

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

Although the above projects are not required to use SFM, they should be evaluated for SFM because there may be some value in incremental funding. If SFM is not used on a project with a Federal share of \$1 million or greater, the Recipient must provide proper justification to FEMA.

What is the difference between an eligible project and an approved project?

FEMA will review the eligibility of all projects submitted for funding based on the eligibility criteria as defined in 44 CFR 206.434.3 Once a project is determined eligible, FEMA may approve the project for funding under HMGP.

For HMGP projects implementing SFM, the subaward may be determined eligible for funding; however, FEMA only obligates the approved line items within the subaward. Additional eligible line items remain unfunded until subsequent approvals are obtained.

³ Emergency Management and Assistance, Title 44 of the Code of Federal Regulations Parts 1–402 (October 1, 2002), <http://www.gpo.gov/fdsys/pkg/CFR-2002-title44-vol1/content-detail.html>

What is the difference between phased projects and projects that implement SFM?

The difference between phased projects and SFM projects is the eligibility determination. For phased projects, a full eligibility determination has not been made. All projects using SFM have been determined to be eligible projects, but funding is only provided for the approved portions of the projects.

Phased projects may also use SFM incremental obligations once the projects have been deemed eligible.

Will SFM tools and Job Aids be provided to Recipients?

Yes, FEMA will provide SFM tools and Job Aids to Recipients as needed.

Does SFM cause a delay in obligations?

SFM does not delay current or future HMGP obligations. SFM enhances planning and executing of resources to meet the overall mitigation efforts for each Recipient and subrecipient.

How does SFM affect the Period of Performance?

All HMGP activities must conform to Period of Performance (POP) requirements whether or not they implement SFM. The POP is the period of time during which the Recipient is expected to complete all award activities and to incur costs.

- **For declarations on or after July 12, 2013:** With release of the Fiscal Year (FY) 2013 *Hazard Mitigation Assistance Unified Guidance*, the POP begins with the opening of the application period and ends no later than 36 months from the close of the application period.
- **For declarations before July 12, 2013:** Under FY 2011, *Hazard Mitigation Assistance Unified Guidance*, the POP begins on the date that the grant is awarded and ends no later than 36 months from the award of the final subaward under the grant. The POP termination date is established by the subaward with the latest completion date.

Recipients are responsible for ensuring that all approved activities are completed by the end of the award POP. Regional Administrators have the discretion to extend the POP.

Do SFM obligations have to be expended within 24 months from receipt of the obligation?

The 24-month obligation requirement is associated only with Superstorm Sandy declarations. The Sandy Recovery Improvement Act of 2013 (SRIA)⁴ requires the Recipient and subrecipient to expend obligated Federal award funds within 24 months or funds must be returned to the agency.

SRIA Award Timeline Scenario

Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	
APR-JUN	JUL-SEP	OCT-DEC	JAN-MAR	APR-JUN	JUL-SEP	OCT-DEC	JAN-MAR	APR-JUN	JUL-SEP	OCT-DEC	JAN-MAR	
1st Incremental Obligation of \$1.5 Million June 2014 (24 months to spend)												
			2nd Incremental Obligation of \$2 Million March 2015 (24 months to spend)									
								3rd Incremental Obligation of \$1.5 Million April 2016 (24 months to spend)				

⁴ FEMA, "Sandy Recovery Improvement Act of 2013," <https://www.fema.gov/hazard-mitigation-assistance-sandy-recovery-improvement-act>

How does the Large Project Notification process intersect with SFM?

All projects with scheduled obligations of \$1 million or more Federal share are subject to the Large Project Notification (LPN) process. The OCFO reviews all disbursement requests submitted to the LPN and follows up with FEMA Headquarters Program Office to ensure that SFM has been considered and used when appropriate.

How is SFM related to the Spend Plan?

The importance of accurate Spend Plans cannot be overstated. Spend Plans enable FEMA to better manage the resources of the DRF to best meet the requirements of current and future disasters. As projects are identified for SFM, the agreed upon obligation schedule should be reflected in the Spend Plan. In many situations, the Spend Plan will need to be revised based on the Recipient's ability to meet project milestones. SFM will in no way delay current or future recovery operations. SFM enhances FEMA's planning for, and execution of, resources to meet the overall recovery efforts for each respective Applicant. Additionally, the SFM initiative will ensure that Recipients and subrecipients receive funding when needed to maintain the momentum of recovery operations.

Who requests funds under SFM?

The Recipient must request funds from FEMA in writing after reviewing the work schedule and current progress to ensure that the funds are needed. FEMA reviews the Recipient's request and if the Recipient/subrecipient is ready to expend additional funds, FEMA reviews or adjusts the Spend Plan to ensure that the correct amount of funds is requested. The monthly Spend Plan is reviewed and submitted through normal funding procedures.

How does FEMA track the SFM process?

FEMA tracks SFM projects in the National Emergency Management Information System (NEMIS) and the Enterprise Data Warehouse (EDW) Site prior to obligation as part of the final project eligibility reviews.

Recipients may develop their own processes and procedures to enable subrecipients to monitor their projects.