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Public Assistance Grantee Administrative Costs

Recovery Policy 9525.14

I. **TITLE:** Public Assistance Grantee Administrative Costs

II. **DATE:** November 7, 2006

III. **PURPOSE:** Describe the appropriate use of the state statutory administrative allowance authorized in Section 406(f)(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), 42 U.S.C. 5121-5206, as amended.

IV. **SCOPE AND AUDIENCE:** The policy is applicable to all open major disasters and emergencies on or after the date of publication of this policy. The policy applies to all Federal and State Public Assistance Program personnel.

V. **AUTHORITY:** Section 406(f) of the Stafford Act, 44 CFR §206.228, and 44 CFR Part 13, Subpart C - Post-Award Requirements and Subpart D - After-the-Grant Requirements.

VI. **BACKGROUND:**

Section 406(f)(2) of the Stafford Act authorizes payment of extraordinary costs "incurred by a State for preparation of damage survey reports, final inspection reports, project applications, final audits, and related field inspections by State employees, including overtime pay and per diem and travel expenses of such employees, but not including pay for regular time of such employees...." The use of the statutory administrative allowance (sliding scale) is addressed in FEMA's regulations at 44 CFR §206.228 (a)(2)(i), Statutory Administrative Costs, Grantee. The regulations further stipulate, at 44 CFR §206.228 (a)(3)(i), State Management Administrative Costs, Grantee, that (except for items listed in the statutory administrative costs section), other administrative costs shall be paid in accordance with 44 CFR §13.22. Collectively, these regulatory provisions clearly require that a cost item be either a *statutory administrative cost* or a *state management cost*, but not both. Accordingly, this policy is issued to clarify the use and documentation requirements for Grantee statutory administrative allowance costs and state management administrative costs.

VII. **POLICY:**

A. A State may claim FEMA eligible administrative cost items consistent with its approved Public Assistance State Administrative Plan. Costs will be categorized as either statutory administrative allowance costs {44 CFR § 206.228 (a)(2)(i)} or state management administrative costs {44 CFR §206.228 (a)(3)(i)}, but not both.

B. Categories of Cost:

1. Overtime pay (which includes compensatory time), per diem, and travel expenses for State employees conducting eligible Public Assistance Grant Management work are only eligible as *statutory administrative allowance costs*.
2. Straight-time salaries of State employees and other management costs approved by the Disaster Finance Center are eligible as *state management administrative costs* (Category Z).

3. Straight-time and overtime salaries, per diem and travel expenses of contractors hired by a state to assist with administering Public Assistance grants may be eligible as *state management administrative costs* (Category Z), per FEMA Recovery Policy 9525.11. Contractors' costs must be captured on separate project worksheets.

- C. Statutory administrative allowance costs are not cost-shared; they are 100% federally funded. State management administrative costs (Category Z) are cost-shared at whatever prevailing cost-share rate is in effect for the particular disaster.
- D. Statutory administrative allowance costs are limited, and based on the total federal share of obligated Public Assistance funds. If the overtime costs, per diem, and travel expenses for a State's regular employees:
1. Exceed the available statutory administrative allowance amount, the State may not claim the excess costs as management administrative costs on a project worksheet.
 2. Are less than the available statutory administrative allowance amount, the State must return to FEMA any unused amount of statutory administrative funds at project closeout.
- E. When requesting state management cost items on a project worksheet, the State must verify that it has not claimed the same cost items as statutory administrative allowance costs.
- F. The State must retain records detailing how and when state management administrative costs and statutory administrative allowance costs are spent. States must not draw funds in excess of their immediate cash needs.
- G. Prior to grant closeout, the State must submit a Financial Status Report (Standard Form 269, 269A, or FEMA Form 20-10) and explain, in item #12-Remarks, the amounts expended for both the state management administrative costs and the statutory administrative allowance costs. FEMA recommends that grantees provide the breakout of statutory administrative costs and state management administrative costs on a quarterly basis on their financial status reports.
- H. At grant closeout, the State must document its actual administrative costs claimed for the Public Assistance Grant Program and provide those records for FEMA's review prior to closeout. FEMA will de-obligate any unused amount of the statutory administrative allowance costs that was not spent on overtime pay, travel, or per diem expenses for state employees. FEMA will also reconcile, at grant closeout, the state management administrative costs.
- I. This policy will be superseded upon publication of the final management cost regulation pursuant to Section 324 of the Stafford Act.

VIII. **ORIGINATING OFFICE:** Recovery Division (Public Assistance Branch)

IX. **SUPERSESSION:** This policy supersedes all previous guidance on this subject.

X. **REVIEW DATE:** Three years from date of publication.

//signed//

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Director of Recovery
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