

# The Disaster Management Costs Modernization Act

*Representative Joe Neguse and Representative Anthony D'Esposito*

The Federal Emergency Management Agency (FEMA) administers federal disaster funds to state and local entities through its Public Assistance and Hazard Mitigation Assistance programs. FEMA may only administer funding to states and localities from these programs when the President officially makes a disaster or emergency declaration, and eligibility is determined. When FEMA provides grants through these programs, the Stafford Act allows a small percentage<sup>1</sup> of each grant to be used to offset the recipients' disaster management costs. Disaster management costs are indirect costs, direct administrative costs, and other administrative expenses associated with an approved disaster project, such as travel expenses, correspondence, or training.

Under current law, management costs awarded for one disaster may only be used for that disaster. This creates an unintended incentive for states and localities to leave disasters "open" artificially longer than required so that they can continue drawing down excess funds for management costs authorized for that disaster while recipients wrap up oversight and management for the disaster. This problem is exacerbated when states and localities are juggling multiple concurrent disasters of different sizes. Management costs for declarations with less damage are quickly exhausted, and state funds must be utilized to complete the administration of the Federal grant. Declarations with larger damages (and therefore a larger management costs award), excess funds create the unintended consequence of encouraging states to keep disasters open for extended periods of time to ensure the expenditure of all eligible excess costs.

The *Disaster Management Costs Modernization Act* would:

- Authorize FEMA to permit recipients to retain excess management costs for up to five years after the close-out of a disaster; and
- Permit grant recipients to use excess management funds for capacity building activities to prepare for or recover from other disasters.

This bill would reduce complexities around disaster management costs and incentivize states and localities to close out disasters more quickly. Additionally, the bill would reward states for efficiently closing out disasters by permitting them to retain the funding for capacity building or for management costs in other disasters. This bill aligns current law with already ongoing internal efforts at FEMA to improve efficiencies around disaster management costs.

**Supporting Organizations:** The National Emergency Management Association, International Association of Emergency Managers, Big City Emergency Managers, Build Strong America Coalition

---

<sup>1</sup>Up to 7 percent for recipients (or 5 percent for sub-recipients) of an award under the Public Assistance program, and up to 15 percent of an award under Hazard Mitigation program.