

Sub-Recipient Management Costs: Description and FAQ

Prepared for WA State Sub-Applicants

Explanation and Background

Section 324 of the Stafford Act allows for reimbursement of eligible Sub-Recipient Management Costs related to the administration of a FEMA mitigation subgrant. Sub-recipients may apply for and (if approved) receive reimbursement of eligible Management Costs they incur while administering their subgrant, up to 5 percent of the total subgrant amount. The 5 percent cap is applied to the total subgrant project cost, including federal and non-federal cost shares.

The Management Cost criteria for HMA grants are established in Section 324 of the Stafford Act. This Section was recently amended by the 2018 Disaster Recovery Reform Act (DRRA 2018). As amended, Section 324 now requires FEMA to provide funding for management costs for Hazard Mitigation Grant Program (HMGP) projects at certain percentage rates. Specifically, a *recipient* (EMD, as the state pass-through entity) who receives HMGP may be reimbursed “not more than 15 percent of the total amount of the grant award” of which “not more than 10 percent may be used by the recipient and 5 percent by the *subrecipient* (the local entity receiving the subgrant).”

As a result of the DRRA 2018 changes, FEMA issued their [HMGP Management Costs \(Interim\) Policy #104-11-1](#), followed by a new [Management Costs FAQ](#) to provide important guidance to states and sub-recipients. In these FEMA documents, as well as all federal laws pertaining to HMA grants, the *Recipient* is the state, territory or tribe (as the pass-through entity) and the *subrecipient* is the local entity or jurisdiction receiving the pass-through subaward.

Eligible management costs are provided on a reimbursement basis with no non-federal cost share requirement; they are 100% federally funded, regardless of the subgrant’s approved *project* (or planning activity) cost-share percentages.

Management Costs are limited to costs incurred for *administering* the FEMA mitigation grant rather than *implementing* the proposed project. For example, the costs incurred to prepare and submit required grant quarterly reports to WA EMD are eligible Management Costs. These costs do not include the direct expenses for implementing your proposed mitigation scope of work (e.g., project management fees, outreach, site work, inspections). Those costs are captured in the main Project Budget table of the sub-application.

Approved Management Costs budget categories are shown in the below Table.

Management Cost Type <i>includes costs of administering the subgrant (e.g., preparing quarterly reports and reimbursement requests, reviewing grant contract documents, overhead/indirect costs, attending EMD grant kickoff meetings)</i>
Personnel <i>(staff time to conduct grant admin duties like those listed above)</i>
Fringe Benefits <i>(usually a percentage fixed to the above-noted staff time costs)</i>
Travel <i>(related to administering the grant itself, not the proposed project)</i>
Supplies <i>(related to administering the grant itself, not the proposed project)</i>
Contractual <i>(related to administering the grant itself, not the proposed project)</i>
Indirect/Overhead Costs <i>(usually a multiplier applied to eligible project costs)</i>
Other <i>(requires specific listing)</i>

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Frequently Asked Questions

1. What administrative costs are eligible under a subrecipient's Management Costs funding?

Administrative costs are expenses incurred by a subrecipient in managing and administering the federal award to ensure that federal, state, or tribal requirements are met, including:

- Preparing and submitting required subaward reports
- Preparing and submitting reimbursement request packages
- Corresponding and/or meeting with WA EMD staff and/or FEMA regarding subaward administration issues (e.g., technical assistance meetings, progress site visits)
- Facilitating and complying with WA EMD's Subrecipient Monitoring efforts and requirements
- Preparing, reviewing, and/or executing state contracts and amendments for purposes of securing the subaward
- Conducting compliance activities associated with federal procurement requirements;
- Documentation of the quality of work verification for quarterly reports and closeout; of claims;
- Closing out the subgrant (within the approved Period of Performance)
- Conducting records retention activities.
- Indirect costs and/or overhead expenses (typically covered via approved indirect cost rates).

2. What activities cannot be included under management costs?

Any activities that are directly related to a project are not eligible under management costs. For example, architectural, engineering, and design services are project costs and cannot be included under management costs.

Similarly, construction management activities that manage, coordinate, and supervise the construction process from project scoping to project completion are project costs. These activities cannot be included under management costs.

3. Is staff time eligible for management costs?

Yes. Staff time can be eligible for management costs *if the staff is undertaking activities related to the receipt and administration of FEMA mitigation grant funding*. Staff salary costs for implementing the subgrant's approved scope of work are covered under the main subgrant project budget rather than a Management Costs budget.

4. Is there a required non-federal cost-share or match requirement for management costs?

No. Subrecipient Management Costs are 100% federally funded and do not require a non-federal match. The subgrant's approved *project* (or planning activity) cost share percentages do not apply to eligible management costs.

5. How and when does a subrecipient apply for management costs?

Management Costs are requested during the grant sub-application process when subrecipients are asked to provide a budget and narrative describing their anticipated management costs activities,

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and expenses. These requests are then reviewed and, if accepted, approved and included in FEMA's official subaward documents.

Management Cost information provided by subrecipients may be revisited and confirmed during the WA EMD and/or FEMA application review process. WA EMD may require sub-applicants to complete a supplemental *Management Costs Narrative and Budget* document for inclusion in a sub-application, or the sub-application document itself may include a specific Management Costs section.

6. Is a subrecipient required to apply for management costs?

No. Subrecipients are not required to apply for management costs. They would indicate this decision in their sub-application documents and or via written correspondence with WA EMD. Subrecipients will not be able to apply for management costs after the application submission and review period is closed.

7. What should the subrecipient include in the management costs estimate?

The subrecipient should provide a narrative explanation of their anticipated management cost activities (describing what the proposed funds will be used for) along with a proposed budget showing the cost estimates by eligible cost category. A budget for management costs should include one or more of the following cost categories: personnel, fringe benefits, travel, equipment, supplies, contractual, and indirect costs.

WA EMD may require subrecipients to complete a *Management Costs Narrative and Budget* document to ensure it provides the required information.

8. How and when will subrecipients receive their approved management cost funds?

Management Cost funds are provided by WA EMD on a reimbursement basis, only after FEMA has issued a subaward and approved a Management Costs Budget. Subrecipients must submit a Reimbursement Request package containing backup documentation and summary information regarding its management cost expenses, and WA EMD staff will review the submission for reimbursement eligibility. Once reviewed and approved, WA EMD will issue the subrecipient a check for the approved reimbursement amount, up to 5 percent of the total expended project costs to date.

At no time *during a subgrant's Period of Performance* can the subrecipient's total management cost reimbursements exceed 5 percent of its total expended project costs.

A subrecipient may submit management cost reimbursement requests periodically, along with its other subgrant reimbursement request packages, or it may submit them at the end of a subgrant Period of Performance (during closeout). Details and options will be discussed with the subrecipient during its Kickoff Meeting with WA EMD after FEMA issues the subaward.

9. Are there specific restrictions or limitations on how subrecipients can allocate management cost funds among the approved budget categories?

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During the sub-application development phase, subrecipients may choose to allocate their estimated management costs among the approved budget categories any way they like. For example, all available management cost funds may be allocated to a single category, like Indirect Costs or Personnel, or they may be spread across selected categories based on a subrecipient's previous subgrant experience.

After FEMA issues a subaward and approves the subrecipient's Management Costs budget, WA EMD will reference that budget during its review and approval of submitted reimbursement requests. After subaward is issued, any cost-category reallocation requests made by subrecipients amounting to more than 10 percent of the total management cost budget may require amendments or other administrative steps to ensure eligibility.

10. What happens if subrecipients do not claim or expend all available management costs?

Any unspent funds will be deobligated by FEMA during the subgrant closeout process. During a subgrant's designated liquidation period (which occurs immediately following the Period of Performance end date), subrecipients will have an opportunity to submit a final reimbursement request to claim any remaining, available management cost funds. These requests must include sufficient backup documentation and are subject to WA EMD review and approval prior to reimbursement.