

Association of State FloodPlain Managers

2809 Fish Hatchery Road, Madison, WI 53713
Phone: 608-274-0123 Fax: 274-0696
Website: www.floods.org Email: asfpm@floods.org

Improving the Pre-Disaster Mitigation Program

This is a position paper prepared by the Association of State Floodplain Managers, (ASFPM), a non-profit professional organization dedicated to reduction of flood losses in the United States.

The Association of State Floodplain Managers (ASFPM) fully supports the Federal Emergency Management Agency's (FEMA's) mitigation efforts and programs. These programs include the post-disaster Hazard Mitigation Grant Program (HMGP), Flood Mitigation Assistance program as a component with the National Flood Insurance Program, and the Pre-Disaster Mitigation (PDM) program. However, if a national mitigation strategy is to be truly effective, each program must function well both within that national strategy and on its own merits as a stand-alone program. The ASFPM has become concerned that one program, PDM, is not being used to its full potential.

The Mitigation Committee of the ASFPM was asked to develop this white paper based on comments both from its members and from mitigation professionals across the nation. The following discussion summarizes the ways in which these experts believe that PDM can be improved.

Background

To analyze what could be improved, it is helpful to understand what is working well about the Pre-Disaster Mitigation Program. As a concept, the "eGrants" online system fills the need for a paperless, reviewable, and amendable application process. Also, the nationwide competitive nature of PDM funds, combined with the fact that the funding is allocated annually, means that, in theory, every community that makes application has a legitimate hope of receiving mitigation funds. One of the goals of PDM and mitigation planning is to get local decision-makers thinking about mitigation as a function of their everyday jobs. Based on the popular response to the application process from some states, it appears as though this is occurring. There were also positive comments that the review process is fair and well-organized.

There is evidence as well that mitigation in general also is working. A report issued by the National Institute of Building Sciences (NIBS) found that flood mitigation projects are highly cost-effective, on average returning benefits valued at four times the costs.² That report also detailed the ways in which mitigation is critical to recovery after a disaster, as well as being invaluable for resiliency and sustainability in coping with the impacts of future hazards.

What is Not Working?

Although there are encouraging aspects to the PDM program, the ASFPM's research yielded comments on a number of deficiencies in the program. These comments were offered as constructive criticism in hope that PDM can be enhanced to make it more effective.

Funding for PDM is both Insufficient and Irregular

Before PDM was established, the Hazard Mitigation Grant Program (HMGP) was the primary mitigation program available to states and communities. Since the HMGP is funded as a percentage of damage caused by disasters, the amount of funding is inconsistent. This means that states cannot depend on the HMGP for operating their mitigation programs. Furthermore, the percentage of damage calculation for funding has also not been consistent over time. At first, HMGP was funded at 10 % of some of the damage attributed to a federally declared disaster. In response to the Midwest floods of 1993, this percentage was increased to 15% of all Public Assistance and Individual Assistance disaster costs.

For fiscal accountability purposes, the Office of Management and Budget (OMB) recommended changes to the HMGP in a 2003 report.¹ With this as a backdrop, PDM was proposed to be funded at \$300 million per year as a complete replacement for the HMGP. The \$300 million figure was established based on the historical average of HMGP funding. The elimination of HMGP was considered unacceptable to professionals who work with communities on mitigation. Congress then reached what was considered to be a compromise: reducing the \$300 million funding for PDM to \$150 million while keeping the HMGP but funding it at 7.5% instead of 15%.

There are two problems with this approach. First, the calculation of the \$300 million annual average for HMGP funding was low because it excluded catastrophic disasters. As the past 18 months have shown, the United States has the potential to witness extreme and very damaging natural disasters. The second problem with this approach is that the annual budget appropriation for PDM is susceptible to fluctuation. For the fiscal year 2006 budget, Congress dropped the appropriation to \$50 million. This means that total mitigation funding is now lower than when HMGP was funded at 15%.

Mitigation funding has decreased and become more uncertain at a time when demand for both PDM planning and project funds is likely to increase. Through its mitigation planning component, PDM has been successful in getting communities to develop successful mitigation projects. However, as a requirement, each approved mitigation plan must be updated at least every five years. This means that communities that completed mitigation plans two or three years ago will soon be coming back for money to update these plans. There may be a snowball effect of increasing demand for PDM planning funds as new communities become interested in mitigation planning at the same time that communities with approved plans also apply for update funds.

The successful push for local mitigation plans means that communities will be seeking to implement mitigation strategies in their mitigation plans. This means that the demand for PDM project funds will also increase. A declining or uncertain PDM funding stream at a time when demand is increasing likely will result in the loss of local attention currently being given to mitigation projects and planning.

Recommendation: Maintain continuing and consistent funding levels for PDM in order to meet the intent of the original legislation as well as the demand for mitigation planning and projects nationwide.

FY2006 PDM Guidance is Causing Problems with State Implementation

FEMA's change to the FY2006 PDM guidance, which restricted the number of planning grant applications to five per state, is causing problems with many states. The guidance change was required because of Congress's reduction in the authorized amount of PDM funding. This caused FEMA to restrict the number of applications in order to control its costs for the selection and administration processes. The

FY06 guidance was released in July 2006 and the guidance change came out November 10. Many states had been working with communities before the guidance change, and it placed the states in the uncomfortable position of having to decide which applications to submit for national competition. Many states do not have a method for prioritizing planning grant applications, and several more wondered how they would be able to pay for the state-level selection process since they are required to bill all hours toward open federal grants.

Realizing that the guidance change was necessitated by the reduction in authorized funds for PDM, the ASFPM has the following recommendations for FEMA:

- 1) Look for other ways to reduce the costs associated with the national selection process rather than restricting the number of applications considered. The ASFPM is willing to assist with this.
- 2) Offer guidance to states on how to prioritize planning grant applications. This will shift the responsibility for selecting applications back to the federal government, as per the guidance.

Competitive Nature of Funding Hinders Implementation

The majority of comments received about PDM funding suggested that a portion of the competitive PDM funds be given to states as an annual allocation instead of keeping the entire amount competitive. Although it can provide leadership, incentives, and technical assistance, the federal government cannot do it all. State programs are an essential partnership for a comprehensive national mitigation strategy. To be effective partners, however, states need a consistent and dependable funding stream that will facilitate building sustainable state mitigation programs. Effective state programs have the ability to guide both experienced and novice local mitigation programs.

To make mitigation programs more economically accountable, OMB recommended that PDM be created as a competitive program rather than being tied to disasters, as the HMGP was. To accomplish this, OMB recommended the implementation of a needs-based allocation rather than the formula-based allocation used by the HMGP. Although a competitive program has the potential to be more accountable, it also presents some problems, especially in the area of equity. A needs-based formula is blind to the fact that states do not have similar capabilities and resources. For example, states with high numbers of personnel will have more time to devote to mitigation promotion, technical assistance to communities, eGrants oversight, and other areas. As a result, there is potential that states with more resources will have more and better applications than states with limited resources. In a needs-based application process, it will appear as though there is more need in the states with more applications.

In reality, every state has sound mitigation projects identified, although many may lack the resources with which to apply for funding to implement them. If a portion of the PDM funds is made non-competitive, all states will have an amount of funding with which they can establish and maintain their mitigation programs. If some states truly cannot handle the responsibility of an annual PDM funding allocation, they should have the ability to decline the offer of funding so that unused funds can be redistributed to states with real unmet needs.

Recommendation: A portion of the PDM funds should be made non-competitive and offered to all states equally, for the purpose of developing sound state-level mitigation programs. The other portion of PDM funding would remain competitive so that the financial accountability concerns raised by OMB can be alleviated. Although the ASFPM does not have a specific recommendation

about how to distribute non-competitive PDM funds, it is willing to assist FEMA in the development of such a policy change.

PDM is Hurt by Rumors of Geographical Bias

In order for PDM to be respected and used by applicants, there needs to be documentation that the distribution of funds has been geographically equitable. By its very nature, the PDM program is competitive, which means there is the potential for more applications from a given state or region to be selected. Out of the first two years of PDM funding, rumors spread about higher numbers of applications being accepted from certain states. There were also some rumors of a preference for mitigation projects for certain types of hazards (i.e., floods over earthquakes). States and communities expressed surprise that applications have been declined for projects that are highly cost-effective and feasible. One of the most helpful tasks that FEMA could perform as a service to states and communities is an analysis of PDM. An official report listing the previous year's accepted applications by state, region, and hazard type would help put these rumors of favoritism to rest.

Recommendation: FEMA should complete and publish an analysis explaining why applications are denied. The report should include information that will assist future application preparers and state coordinators, such as

- What has constituted grounds for automatic rejection of an application?
- What are the most common reasons that applications are denied?
- How is each application reviewed and compared to other applications – for example, how much weighting is given to the benefit-cost ratio and how are projects for different hazard types weighted?
- What types of hazards have been funded (i.e., flood, earthquake, fire)?
- What kinds of projects have been approved for each hazard type?
- What makes an approved application better than one that is denied?

At a minimum, FEMA should release PDM funding information and statistics so that state and local mitigation partners can improve the mitigation process and projects. FEMA should also consider releasing sample applications from real projects that have been approved, with sensitive information held confidential.

FEMA Regional Staff Capability Hinders PDM Implementation

Depending on the number and size of disasters that occur in a given year, FEMA regional staff are often deployed and unavailable to oversee and offer assistance in the PDM process. An effective mitigation program needs have a smooth process that allows applicants to see continuous progress, and ASFPM believes FEMA lacks the necessary regional staffing to offer this. As an example, in the wake of the major hurricanes in 2005, PDM applications that were pending environmental reviews were delayed because of a lack of regional staffing. Furthermore, FEMA has told at least one applicant that environmental reviews will not be completed for one year after they are started – and does not know when they can be started. These personnel concerns will only become more acute if Congress funds the Severe Repetitive Loss mitigation component of the Flood Insurance Reform Act of 2004.

Recommendation: FEMA should provide resources, such as through the Community Assistance Program (CAP-SSSE), to build state capability and to delegate the PDM program and project

review to capable states. An alternative would be for Congress to provide additional funding to FEMA so that it will be able to provide adequate staff to review applications. In addition, FEMA should be held to the same 30-day review and comment period allowed for environmental reviews under the National Environmental Policy Act. If this is not feasible, then FEMA should develop a policy memorandum that gives a clear limit on the amount of time FEMA may take to complete environmental reviews.

Improvements are Needed to Application Process and eGrants System

There are several issues related to the application process that should be considered when future guidance is issued. Similarly, there are modifications that could be made to the eGrants system to make the whole procedure move more smoothly.

The Application Process Should be Improved

The most common complaint about the application process was that during the review process, there should be a system that would allow reviewers to request additional information from the applicant. With the level of supporting documentation required of applicants, there is a strong possibility that some minor application requirements will be overlooked. Although applications that are clearly unacceptable should not be accepted, these minor oversights should not be automatic grounds for rejection.

Recommendation: FEMA should devise a procedure for requesting additional information so that reviewers can remedy minor application problems.

Several comments were related to the inflexibility of PDM in substituting properties that are targeted for mitigation. For example, since acquisition projects with the use of FEMA funds must be voluntary, communities should be allowed to use PDM funds toward alternative properties if one property owner declines the buyout offer. Alternative properties would be required to meet the same eligibility standards.

Recommendation: FEMA should develop some type of replacement policy that would allow an applicant to use previously approved funds for new projects.

The amount of documentation needed for the application is excessive, especially for the benefit-cost analysis portion. In a competitive program, it is a natural concern to compare projects against each other based on their merits. However, documentation requirements should be reasonable for state and local programs with limited resources.

Recommendation: Develop a way to compare applications and benefit-cost analyses that does not create an unnecessary burden on the application preparer.

The application period is too short. If the open application period were lengthened, communities and states would have sufficient time to develop complete and accurate applications that will not be automatically denied. In addition, PDM guidance makes it clear when the application period ends, but not when it begins.

Recommendation: Establish an official and consistent start date for PDM applications for every cycle.

Some states require that all hours of staff time be billed against a federal grant. Since states serve as grantees for the PDM program and in this role provide ongoing technical assistance to local

jurisdictions leading to the development of PDM applications, they incur up-front costs. Currently, states can only be granted funding for grant management and technical assistance if and when grants are approved and after the competitive grant process has been completed. As a result, some states are placed in a situation of billing toward a federal grant that may not be approved.

Recommendation: Establish a set-aside of 100% federal funds for each state, territory, or tribe to provide pre-award technical assistance and program management. These funds could come from the non-competitive portion of PDM funds, as described above.

There are concerns that small communities are at a competitive disadvantage in the PDM process. For technical mitigation options, the application documentation requires communities to submit an engineering analysis. For larger communities with an engineering department, this is not an issue. However, smaller communities cannot pay for expensive application costs that may not be recouped if the project is denied. A similar concern is that smaller communities may not have the capabilities needed to compete successfully in the process.

Recommendation: FEMA should analyze the projects that have been approved in past funding cycles to see if the PDM application process places small communities at a competitive disadvantage. If it does, FEMA should look for ways to make PDM more equitable for small communities.

ratio States need feedback giving specific reasons why applications were rejected. Without knowing exactly why an application was denied, states will keep submitting applications with the same deficiencies. In addition, applicants need to know why reviewers recalculated the benefit-cost for their projects. A simple statement that it was recalculated will not help if the applicant wishes to resubmit the project or develop a new application.

Recommendation: For every application that is not approved, a letter should be sent to the applicant explaining specifically why the application was not approved and making suggestions about ways in which it could be improved for future consideration.

The eGrants System Should be Enhanced

In its current form, eGrants is a positive beginning. However, there are “bugs” that should be fixed and the entire system should be overhauled to make it more user-friendly. Grantees and subgrantees currently spend a great deal of time manipulating data and waiting for revisions to be released to them in eGrants. Several respondents to the ASFPM survey knew of potential applicants who did not apply because they were too intimidated by the eGrants structure and reputation.

A frequent complaint was the complex and confusing interface between grantees and subgrantees for all aspects: applications, awards, and reporting. The confusion is especially applicable in situations in which subgrantees are requested to add additional information to their application because the request for information comes from FEMA, but the application must be released by the grantee.

Recommendation: FEMA should develop a detailed, on-screen, step-by-step guide that leads grantees and subgrantees through the various procedures (i.e., accepting awards, reporting, etc.).

As grantees, states do not have the capability to forward award data to subgrantees via eGrants.

Recommendation: eGrants should be modified to allow dissemination of award information by the states.

eGrants does not offer options for uses of the application information other than entering it into the eGrants system. As a result, states are required to repeat the entry of application information into their own systems.

Recommendation: eGrants should be modified to allow application data that has been entered to be downloaded or exported.

According to the ASFPM's information, FEMA can accept electronically submitted performance reports, but still requires a paper copy of financial reports as official state submissions. If this is true, electronic quarterly financial reports in eGrants serve no purpose.

Recommendation: FEMA should accept financial reports submitted through eGrants as official reports. If this cannot be changed, then the financial reporting links within eGrants should be eliminated.

There is another electronic federal grants program called "grants.gov." Some agencies are forced to learn both systems. Two separate electronic federal grants systems may be duplicative. All interests may be better served if these systems were combined into one.

Recommendation: FEMA should research grants.gov to determine if there is duplication between it and eGrants. If there is, FEMA and other federal agencies should study the practicality of combining these systems.

Benefits of Action

The ASFPM believes that addressing the concerns described in this paper will help make the Pre-Disaster Mitigation Program a more viable mitigation option for states and applicants. In combination with FEMA's other mitigation programs and in partnership with local and state governments, FEMA will be able to use the PDM program as a vital link in an effective mitigation strategy for the nation. In turn, this mitigation strategy will serve everyone by reducing the cost of future disasters for the nation's taxpayers and also help alleviate the pain and suffering that accompany every disaster. The Association of State Floodplain Managers recognizes the importance of the Pre-Disaster Mitigation Program, and stands ready to offer additional input about these or other issues not addressed in this paper.

Resources

- ¹ <http://www.whitehouse.gov/omb/budget/fy2004/pma/hazardmitigation.pdf>
<http://www.whitehouse.gov/omb/budget/fy2004/pma/hazardmitigation.xls>
- ² <http://nibs.org/MMC/mmchome.html>