



FEMA

March 7, 2008

MEMORANDUM FOR: All FEMA Transitional Recovery Offices (TRO)
Louisiana, Mississippi, Alabama and Texas

FROM:


James W. Stark
Acting Associate Deputy Administrator
Gulf Coast Recovery Office (GCRO)

SUBJECT: Public Assistance Innovations—Formulating Improved Projects for
Replacement of Equipment

PURPOSE:

The purpose of this memorandum is to provide clarification for the formulation of Improved Projects that involve replacement of equipment. The application of this guidance will aid in simplifying project formulation, disbursement of funds to Grantees, closeout and auditing functions.

The widespread damage and subsequent shifting of demographics in Louisiana and Mississippi have resulted in changing demands placed upon many public and private non-profit (PNP) Subgrantees. Factors such as decreased population, unknown re-population rates, obsolete vehicles, reduced requirements for public services, and funding concerns have complicated the development of prudent and cost-effective recovery strategies.

AUTHORITY:

Federal regulations for implementing the Improved Project funding option are provided in 44 CFR 206.203(d). These regulations allow FEMA to provide Public Assistance (PA) funding in situations where Subgrantees wish to make improvements while restoring the function of a disaster-damaged facility during the repair or replacement of that facility. In practice, Subgrantees have used the Improved Project option to upgrade the design of facilities, expand or increase the capacity of facilities, relocate facilities, and consolidate several existing facilities into a new facility.

In an effort to develop progressive and forward-leaning strategies for the recovery of the Gulf Coast, FEMA has issued two guidance memos that seek to provide further flexibility for PA Applicants who pursue the Improved Project funding option. The first memo, dated July 30, 2007, allows FEMA to consider a group of facilities that provide a common service, such as educational services, to be part of an aggregated function or system. The other memo, dated November 6, 2007, provides direction for resolving funding issues concerning the replacement of building contents by reconfiguring them into categories.

GUIDANCE:

The guidance provided by this memo allows FEMA to consider a quantity of equipment that provides a common service—such as transit buses, police cars, backhoes, or tractor mowers—to be part of an aggregated function. This will include all equipment items that are part of the individual Subgrantee's services provided to the public. As such, the aggregated funding to replace equipment damaged by the event will be made available for the purchase of like equipment that is better suited to the needs of the community. This methodology provides greater latitude than the traditional one-for-one replacement by allowing the Applicant to replace a certain quantity of equipment with a lesser quantity of equipment while providing the same function.

This memo also provides guidance on the definition of capacity that is consistent with the definition utilized in the July 30, 2007 memo. As described in the PA Guide (FEMA 322), FEMA policy holds that an Improved Project must have at least the same capacity as what existed prior to the disaster. Given post-disaster changes in demographics and the outdated technology of many vehicles, it may not be reasonable to hold Subgrantees, such as transportation authorities and police departments, to this standard.

The following example illustrates the advantages to this new approach:

A Project Worksheet (PW) is approved for the replacement of 100 vehicles in the amount of \$1 million. The PW was prepared using an itemized list of all pre-disaster vehicles and their actual cash values. Under the traditional approach, the Subgrantee would be eligible only for reimbursement of each vehicle replaced. For instance, if the Subgrantee chose to replace 75 of the 100 vehicles, they would only be eligible for the replacement value of the 75 vehicles. Applying the guidance described in this memo, the Subgrantee can now use the capped amount of \$1 million (less insurance proceeds or funds provided by other federal agencies) to purchase the quantity and type of vehicle – as long as it is consistent with the pre-disaster function – that best suits their needs.

IMPLEMENTATION:

This guidance will be implemented in a manner consistent with the current Improved Project formulation process. The methodology illustrates FEMA's commitment to innovative solutions that will help impacted communities along the Gulf Coast meet their post-disaster needs. Please share this with your state partners and continue to explore similar opportunities that may help to accelerate the recovery effort. Please do not hesitate to contact me if you have questions or need additional information.

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