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Optimizing the Value of Hazard Mitigation Grant Program (HMGP) Funding

The 2017 hurricane season was one of the costliest and most catastrophic in U.S. history. Although billions of dollars in FEMA Public Assistance (PA) funding will be approved to support recovery efforts in storm-affected states, these impacted communities still face unparalleled financial hardships resulting from short-term recovery costs.

This is a concern that is only compounded by the devastation that the 2017 disasters imposed on local tax revenues due to decreased property values, displaced residents, and shuttered businesses.

The recovery-related financial challenges are exacerbated by the need to rebuild in a resilient and sustainable manner to mitigate future losses. Fortunately, the influx of PA funding means that affected states also will be awarded a large appropriation of Hazard Mitigation Grant Program (HMGP) funding.

Per HMGP, subrecipients must secure non-federal match funding totaling at least 25% of each mitigation project's cost. The non-federal contribution was designed to encourage investment from local stakeholders in the projects that they are implementing with HMGP funding. Unfortunately, the burden of this 25% contribution may be prohibitive to smaller communities – or even larger ones – as the financial strain of recovering from a major disaster is added to the hardship caused by reduced tax revenues and recovery efforts from other recent disasters. Many subrecipients are unable to secure match funding without external assistance, thus putting communities that need resilient reconstruction at the greatest risk of having to forfeit valuable federal funds for mitigation projects that could provide the greatest long-term benefit.

Fortunately, there are proven strategies for maximizing the value of HMGP funding – some of which may be designed to assist subrecipients in meeting match requirements without placing undue additional financial burden on local stakeholders.

Listed below are the four primary approaches U.S. states may employ to address the non-federal share requirement, including the advantages and disadvantages for HMGP projects:

APPROACH	25% MATCH PROVIDER	ADVANTAGES	DISADVANTAGES
1 Traditional Local Match	Subrecipients	▶ No financial burden to the state ▶ No administrative burden to the state	▶ Burden on subrecipients to provide match ▶ Beneficial projects not considered
2 State Appropriation	State	▶ Eliminates financial burden on subrecipients ▶ Low administrative burden to the state	▶ Burden on the state to provide match ▶ Possible administrative burden for the state
3 CDBG-DR "Traditional Match" Program	CDBG-DR (Per Project)	▶ Eliminates financial burden on subrecipients ▶ Eliminates financial burden on subrecipients	▶ Administrative challenge to the state ▶ Prohibitive Eligibility Criteria ▶ Additional Regulatory Requirements
4 CDBG-DR Fund "Global Match" Program	CDBG-DR (Globally)	▶ Lowers administrative burden on subrecipients and the state ▶ Leverage federal funding to meet match through fewer projects	▶ Additional Regulator Requirements ▶ Additional coordination amongst stakeholders ▶ Additional administrative effort for the state

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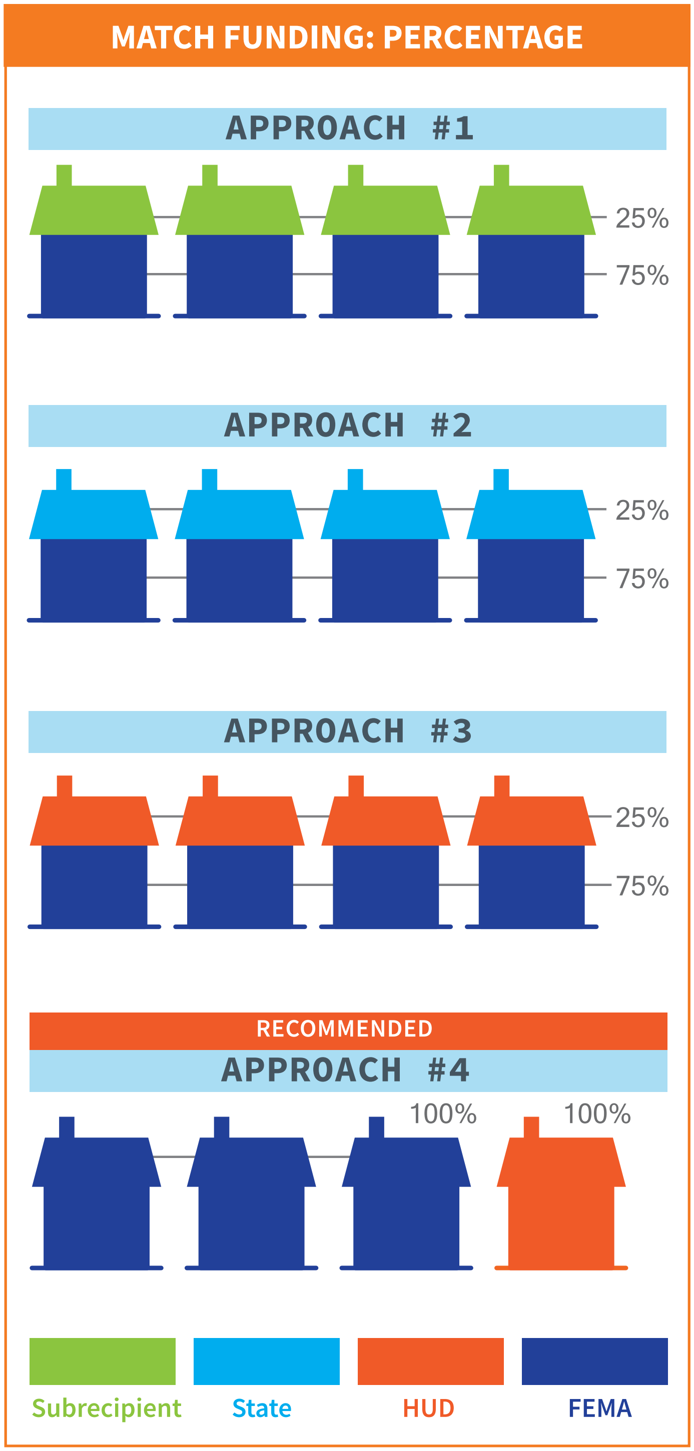
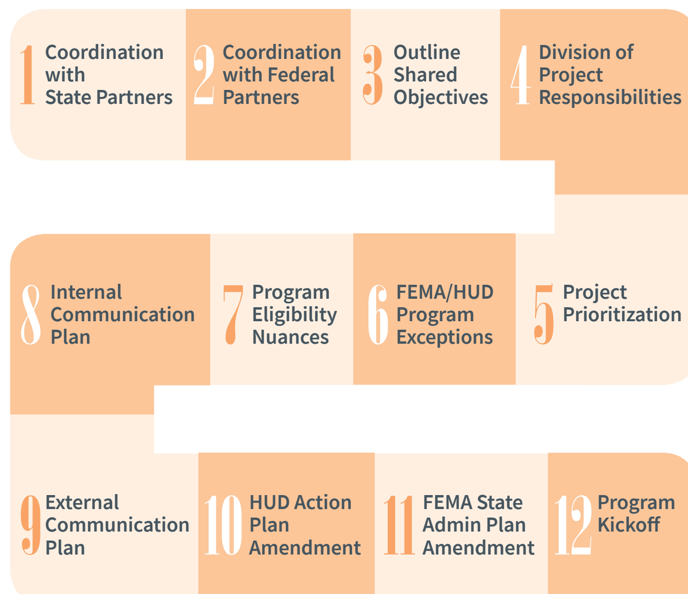


CDBG-DR Global Match Implementation

If CDBG-DR funds are projected, we strongly recommend that states pursue Approach 4 of using the funds in a Global Match Program for meeting the Hazard Mitigation Grant Program's non-federal share requirement. This is the only strategy that allows a state to earn match credit for projects already intended for funding as part of the state's vision for disaster recovery. While the strategy does carry some administrative challenges, it is worth the time and effort. CohnReznick has helped other state agencies implement this strategy, and we believe this approach offers the most long-term benefits.

Steps to a Successful Global Match Program

Outlined below are the initial steps that a state would need to follow to set up a successful global match program:



Gain Insight

For more information on how to maximize HPMG funding, contact **Frank Banda, CPA, CFE, CGMA, PMP, Managing Partner – Public Sector, CohnReznick**, at 301.280.1856 or frank.banda@cohnreznick.com.

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