



# FEMA Policy: Benefit-Cost Analysis Discount Rate and Streamlined Cost- Effectiveness for Hazard Mitigation Assistance and Public Assistance Programs

## FEMA Policy 206-23-001

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### BACKGROUND

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act)<sup>1</sup> and National Flood Insurance Act of 1968<sup>2</sup> authorize FEMA to fund cost effective hazard mitigation measures. FEMA has generally assessed the cost-effectiveness of hazard mitigation measures through project-level Benefit-Cost Analyses (BCAs) in accordance with the principles of Office of Management and Budget (OMB) Circular A-94: *Guidelines and Discount Rates for Benefit-Cost-Analysis of Federal Programs*. FEMA created a BCA Toolkit to help applicants perform benefit-cost analyses through a standardized methodology that is specific to hazard mitigation activities and provides consistency across applicants and subapplicants.

### PURPOSE

This policy supports the implementation of federal guidance provided by OMB Circular A-94, Appendix D to update the discount rate used in Benefit-Cost Analyses of hazard mitigation projects. In accordance with the principles of OMB Circular A-94, FEMA will adopt the A-94 discount rate of 3.1%.

This policy includes streamlined cost-effectiveness determination methods, such as allowing subapplicants to submit a cost-effectiveness narrative, rather than a BCA, for projects costing less than \$1 million. FEMA will continue to engage with OMB to improve implementation of FEMA's cost effectiveness requirements to enable FEMA's strategic goals and accelerate risk reduction and adaptation nationwide.

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<sup>1</sup> [Robert T. Stafford Disaster Relief and Emergency Assistance Act](#), Public Law 100-707 (Nov. 23, 1988), amending the Disaster Relief Act of 1974, Public Law 93-288, (May 22, 1974), 42 U.S.C. §§ 5121 *et seq.*

<sup>2</sup> [National Flood Insurance Act of 1968](#), Public Law 90-448 (Aug. 1, 1968), as amended, 42 U.S.C. § 4001 *et seq.*



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## PRINCIPLES

By using standard approaches and values to assess the cost-effectiveness of hazard mitigation projects, FEMA will:

- A. Reduce complexity and promote equity of grant programs for applicants and subapplicants, especially for those proposing hazard mitigation projects benefiting disadvantaged communities.
- B. Promote consistency in decisions on grant awards.
- C. Simplify the cost-effectiveness process and requirements for HMA grant programs.
- D. Help communities implement cost-effective projects that address future risk.

## REQUIREMENTS

As authorized by the Stafford Act and National Flood Insurance Act, FEMA may provide funding for certain hazard mitigation measures deemed to be cost-effective.<sup>3</sup> Per FEMA's regulations and program guidance, demonstrating cost-effectiveness is a minimum project criterion to be eligible for funding.<sup>4</sup>

### A. DISCOUNT RATE

Outcome: FEMA is implementing the discount rate (3.1%) described in OMB's Circular A-94 (November 9, 2023). Notification of FEMA's implementation of future changes in the A-94 discount rate will be made through an Information Bulletin, a notice on FEMA's BCA website, and with an update to FEMA's BCA Toolkit. FEMA may consider other updates to this policy consistent with Circular A-94 in consultation with OMB. The specific approach to implementing this policy for different grant programs is outlined in section C below.

### B. STREAMLINED APPROACHES TO BENEFIT-COST ANALYSIS

Outcome: In addition to the standard cost-effectiveness approaches outlined in the Hazard Mitigation Assistance Program and Policy Guide, applicants and subapplicants to the Hazard Mitigation Assistance grant programs have access to streamlined methodologies and BCA assistance to ease the burden of demonstrating cost-effectiveness. Applicants and subapplicants will implement this policy based on applicable standards outlined in section C below. FEMA has established streamlined cost-effectiveness determination methods for some projects and project types.<sup>5</sup> Using one of these methods fulfills the cost-effectiveness requirement if the project meets applicable criteria, including that the resulting BCR is equal to or above 1. This policy establishes the following

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<sup>3</sup> 42 U.S.C. §§ 4104c(c)(2), 5133(b) and (e), 5170c(a), and 5172(e).

<sup>4</sup> 44 C.F.R. §§ 77.6(d)(3), 206.226(e), and 206.434(c)(5); see Hazard Mitigation Assistance Program and Policy Guide, Part V (2023); and see Public Assistance Program and Policy Guide, Ch. 8, Section IV (2020).

<sup>5</sup> For example, FEMA offers "pre-calculated benefits" for some project types, including (but not necessarily limited to) acquisitions, elevations, wind retrofits, tornado safe rooms, hospital generators, and post-wildfire mitigation. Further details, including application submission requirements, may be found in the [Hazard Mitigation Assistance Program and Policy Guide \(HMA Guide\)](#).



additional streamlined cost-effectiveness determination methods for HMA programs:

1. **Projects with a total cost<sup>6</sup> under \$1 million**, at the time of submission, may be evaluated for cost-effectiveness with a narrative that includes qualitative and quantitative data demonstrating the benefits and cost-effectiveness of the project. Instructions for completing a cost-effectiveness narrative may be found in program guidance and FEMA’s “Benefit-Cost Analysis” webpage.<sup>7</sup> FEMA will validate the cost effectiveness narrative and estimate and record a benefit cost ratio for the proposed project during its review. Projects that qualify for BCA assistance (as detailed below) are not required to submit a cost-effectiveness narrative.
  
2. **Benefit-Cost Analysis Assistance**

FEMA may assist certain subapplicants, as identified below, with developing a BCA for projects that are otherwise determined to be eligible. Subapplications submitted under this provision are not required to submit a BCA or cost effectiveness narrative at the time of application regardless of the cost of the project. FEMA will use publicly available information or requests for information to collect information required to conduct a BCA, and subsequently estimate and record the BCA for the proposed project. Additionally, there are no project cost requirements to receive this Benefit-Cost Analysis assistance.

  - i. For the BRIC Program and congressionally directed Pre-Disaster Mitigation, this applies to projects that are submitted by a federally recognized tribal government<sup>8</sup> or Economically Disadvantaged Rural Community (EDRC)<sup>9</sup>, or that are within, or primarily benefit<sup>10</sup>, a Community Disaster Resilience Zone<sup>11</sup>.
  - ii. For the FMA Program, HMGP, and HMGP Post Fire projects, this applies to projects that are submitted by a federally recognized

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<sup>6</sup> Total project costs for purposes of demonstrating cost effectiveness include all project costs (*Federal and Non-Federal Share*) required to complete the mitigation activity. Refer to the *Hazard Mitigation Assistance Program and Policy Guide* Part 5.C.1.2: Project Costs for additional details.

<sup>7</sup> For more information, please visit FEMA’s [“Benefit Cost Analysis” webpage](#).

<sup>8</sup> 42 U.S.C. § 5122(6).

<sup>9</sup> 42 U.S.C. § 5133(a). An EDRC (defined in 42 U.S.C. § 5133(a) as “small impoverished community”) is a community of 3,000 or fewer individuals identified by the applicant that is economically disadvantaged, with residents having an average per capita annual income not exceeding 80% of the national per capita income, based on best available data.

<sup>10</sup> The proportion of benefits going to Community Disaster Resilience Zone tract(s) will be identified using a weighted population formula, and a project with at least 50% or more of the benefiting population in Community Disaster Resilience Zones is eligible for increased cost share and prioritization points as reflected in the FY23 BRIC Notice of Funding Opportunity. Instructions for identifying a Community Disaster Resilience Zone can be found [on this webpage](#).

<sup>11</sup> [The Community Disaster Resilience Zones Act, Pub. L. No. 117-255, \(creating 42 U.S.C. § 5136\)](#).



tribal government<sup>12</sup> or small and impoverished community,<sup>13</sup> or that are within, or primarily benefit<sup>14</sup>, a Community Disaster Resilience Zone<sup>15</sup>.

## C. APPLICABILITY

Outcome: Applicants and subapplicants implement this policy based on applicable standards outlined below.

1. For the Building Resilient Infrastructure and Communities (BRIC) Program, the Flood Mitigation Assistance (FMA) Program, and Congressionally directed Pre-Disaster Mitigation funding opportunities:
  - i. The discount rate update and streamlined cost-effectiveness determination applies to application periods that open on or after the signature date of this policy.
  
2. For the Hazard Mitigation Grant Program (HMGP):
  - i. The discount rate update and streamlined cost-effectiveness determination methods apply to open major disaster declarations and to major disasters declared on or after the signature date of this policy. FEMA will not re-open application periods that have already closed.
  
2. For HMGP Post Fire:
  - i. The discount rate update and streamlined cost-effectiveness determination methods apply to any open Fire Management Assistance Grant (FMAG) declarations and to FMAGs declared on or after the signature date of this policy.
  
3. For the Public Assistance (PA) Program:
  - i. The discount rate update applies to disasters declared on or after the date of this policy. For open disasters, the updated discount rate will apply to unobligated projects and to obligated projects that do not have an approved hazard mitigation proposal included.
  - ii. The streamline cost-effective determination methods established by this policy do not apply to the PA program.

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<sup>12</sup> 42 U.S.C. § 5122(6).

<sup>13</sup> 44 C.F.R. § 201.2.

<sup>14</sup> The proportion of benefits going to Community Disaster Resilience Zone tract(s) will be identified using a weighted population formula, and a project with at least 50% or more of the benefiting population in Community Disaster Resilience Zones. FMA may use additional criteria, such as benefits to larger populations of NFIP policy holders. Please refer to the FMA Notices of Funding Opportunity for more information.

<sup>15</sup> [The Community Disaster Resilience Zones Act, Pub. L. No. 117-255, \(creating 42 U.S.C. § 5136\)](#)



4. This policy does not affect any other programmatic eligibility requirements for projects proposed through FEMA programs, including Hazard Mitigation Assistance and Public Assistance programs.

## D. ADDITIONAL GUIDANCE

Outcome: FEMA has developed support materials for policy implementation and other tools that explain how cost-effectiveness of hazard mitigation projects is determined, and that specify certain values, processes, or other standards to be used in BCA or other cost-effectiveness determinations. Support materials are available on FEMA's public website.

FEMA will also revise existing guidance documents or tools to incorporate any changes from this policy. Current guidance and tools include (but are not necessarily limited to):

- a. Hazard Mitigation Assistance Program and Policy Guide (HMA Guide), including a glossary of HMA program and policy definitions<sup>16</sup>
- b. FEMA BCA Toolkit<sup>17</sup>
- c. Demonstrating Cost-Effectiveness for Projects Less than \$1 Million Program Support Material<sup>18</sup>
- d. BCA Pre-Calculated Benefits<sup>19</sup>
- e. Public Assistance Hazard Mitigation<sup>20</sup>
- f. Public Assistance Program and Policy Guide<sup>21</sup>

FEMA will use established methodologies and best available data and research to inform any streamlined cost-effectiveness determination methods and standard values. Methodologies for streamlined cost-effectiveness determination methods and standard values will be documented and made publicly available on FEMA's website.

## E. NON-DISCRIMINATION AND EQUITY

Outcome: All FEMA programs are required to be administered in a non-discriminatory and equitable manner, consistent with applicable law.

1. In accordance with federal civil rights statutes, such as section 308 of the Stafford Act<sup>22</sup>, section 504 of the Rehabilitation Act of 1973<sup>23</sup>, and Title VI of the Civil Rights Act of 1964<sup>24</sup>, as well as Department of Homeland Security

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<sup>16</sup> [Hazard Mitigation Assistance Program and Policy Guide \(HMA Guide\)](#).

<sup>17</sup> [FEMA BCA Toolkit](#).

<sup>18</sup> [Demonstrating Cost-Effectiveness for Projects Less than \\$1 Million Program Support Material](#).

<sup>19</sup> [How to Complete a Streamlined BCA | FEMA.gov](#).

<sup>20</sup> [Public Assistance Hazard Mitigation | FEMA.gov](#)

<sup>21</sup> [Public Assistance Program and Policy Guide Version 4 \(fema.gov\)](#)

<sup>22</sup> 42 U.S.C. § 5151

<sup>23</sup> 29 U.S.C. § 794

<sup>24</sup> 42 U.S.C. § 2000d



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and FEMA regulations, all FEMA programs are administered in an equitable and impartial manner, without discrimination on the grounds of race, color, religion, national origin, sex, age, disability, English proficiency, or economic status, as applicable. In addition, federal assistance distributed by state and local governments is to be implemented in compliance with all applicable laws and regulations.

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HIEBERT**



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*Derrick Hiebert*  
*Assistant Administrator, Hazard Mitigation Directorate*

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Date

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*William C. Hagmaier*  
*Assistant Administrator, Recovery Directorate*

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Date



## ADDITIONAL INFORMATION

### REVIEW CYCLE

FEMA Policy 206-23-001, *Benefit-Cost Analysis Discount Rate and Streamlined Cost-Effectiveness for Hazard Mitigation Assistance and Public Assistance Programs*, will be reviewed, reissued, revised, and/or rescinded within four years of the issue date. Additionally, FEMA may periodically evaluate its cost-effectiveness determination methods for hazard mitigation projects and make changes based on sound program analysis principles and agency priorities. Any changes will be reflected in future updates to this policy, program guidance, and/or on FEMA's public website.

### AUTHORITIES and REFERENCES

#### Authorities

- A. Sections 203, 206, 308, 404, and 406 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. §§ 5133, 5136, 5151, 5170c, and 5172).
- B. Section 1366 of the National Flood Insurance Act (42 U.S.C. § 4104c).
- C. 44 C.F.R. Parts 7, 16, 19, 77 and Part 206, Subparts A, G–I, and N.
- D. Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq.).
- E. Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794).
- F. Title XI of the Education Amendments Act of 1972 (20 U.S.C. § 1681 et seq.).
- G. Age Discrimination Act of 1975 (42 U.S.C. § 6101 et seq.).

Note: Policies do not have the force and effect of law, except as authorized by law or as incorporated into a contract.

#### References

- Hazard Mitigation Assistance (HMA) Program and Policy Guide
- Public Assistance Program and Policy Guide (PAPPG)
- OMB Circular A-94
- Executive Order 13985: Advancing Racial Equity and Support for Underserved Communities Through the Federal Government.
- Executive Order 14091: Further Advancing Racial Equity and Support for Underserved Communities Through the Federal Government.
- Executive Order 14008: Tackling the Climate Crisis at Home and Abroad.
- Executive Order 12898: Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations.
- Executive Order 13166: Improving Access to Services for Persons with Limited English Proficiency (Aug. 11, 2000).
- Executive Order 14096: Revitalizing Our Nation's Commitment to Environmental Justice for All.



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## **MONITORING AND EVALUATION**

FEMA Hazard Mitigation Assistance and Public Assistance staff will monitor and evaluate the implementation of this policy to ensure that the desired outcomes as detailed in this policy are being achieved. FEMA Hazard Mitigation Assistance and Public Assistance staff will also actively obtain feedback on process implementation and achievement of the policy's outcome. Data analysis and stakeholder feedback will be used to inform future revisions of this policy.

## **QUESTIONS**

Direct questions to the Hazard Mitigation Assistance Policy, Tools, and Training Branch at [fema-hma-grants-policy@fema.dhs.gov](mailto:fema-hma-grants-policy@fema.dhs.gov).