

Streamlined Approaches to the Benefit-Cost Analysis of Hazard Mitigation Assistance (HMA) Projects

FEMA issued [FEMA Policy 206-23-001, Benefit-Cost Analysis Discount Rate and Streamlined Cost Effectiveness for Hazard Mitigation Assistance and Public Assistance Programs](#) to provide streamlined approaches to assess the cost-effectiveness of hazard mitigation projects under the Hazard Mitigation Assistance (HMA) grant programs. These streamlined cost-effectiveness determination methods will allow subapplicants to submit a cost-effectiveness narrative for projects less than \$1 million and offer FEMA BCA assistance to under resourced communities and Tribal Nations to help determine cost-effectiveness for hazard mitigation projects.

What is cost-effectiveness and how does it impact FEMA programs?

To be eligible for funding under FEMA's Hazard Mitigation Assistance (HMA) programs, hazard mitigation projects must demonstrate cost-effectiveness. Most Hazard Mitigation Assistance projects demonstrate cost-effectiveness by conducting a Benefit-Cost Analysis (BCA). A BCA is a quantitative analysis used to assess the benefits and costs of a hazard mitigation project by comparing the disaster impacts avoided by the mitigation project to the cost of the project. The BCA compares the present value of future benefits and costs of a hazard mitigation project through a Benefit-Cost Ratio (BCR). FEMA considers a project to be cost-effective when the BCR is 1.0 or greater.

Since different discount rates have been used for different Hazard Mitigation Assistance grant programs, the impact on a specific project BCR depends on the discount rate used. Under FEMA Policy 206-23-001, FEMA also released an update to the [discount rate](#) used in Benefit-Cost Analyses of hazard mitigation projects to 3.1%, implementing federal guidance provided by OMB [Circular A-94, Appendix D](#) (Nov. 9, 2023).

The Impact of Streamlined BCA Approaches on FEMA Hazard Mitigation Projects

Streamlined BCA approaches reduce the burden on applicants and subapplicants in meeting cost-effectiveness requirements by simplifying the process and providing technical assistance to communities to determine cost-effectiveness.

Applicability of New Streamlined BCA Approaches

New streamlined approaches became effective on April 26, 2024, the signature date of FEMA Policy 206-23-001.



FEMA

- For the Building Resilient Infrastructure and Communities (BRIC) Program, the Flood Mitigation Assistance Program, and Congressionally Directed Spending Pre-Disaster Mitigation (PDM) program, this policy will apply to application periods that open on or after the signature date of the policy (April 26, 2024).
- For the Hazard Mitigation Grant Program (HMGP), this policy applies to open major disaster declarations and to major disasters declared on or after the signature date of this policy (April 26, 2024).
- For HMGP Post Fire, this policy applies to any open Fire Management Assistance Grant (FMAG) declarations and to FMAGs declared on or after the signature date of this policy (April 26, 2024).
- This policy does not affect any other programmatic eligibility requirements for projects proposed through FEMA programs, including Hazard Mitigation Assistance programs.

PROJECTS WITH A TOTAL COST¹ OF 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 costs of the project. Total project costs, for the purpose of demonstrating cost-effectiveness, include all project costs (Federal and Non-Federal Share) required to complete the mitigation activity. Instructions for completing a cost-effectiveness narrative may be found in program guidance and on FEMA's "Benefit-Cost Analysis" webpage.² **FEMA will validate the cost-effectiveness narrative and estimate and record a benefit-cost ratio for the proposed project during its review.** FEMA may still need to send the applicant a Request for Information (RFI) to help clarify and strengthen the subapplication by providing additional information or documentation needed to satisfy outstanding program requirements. Projects that qualify for BCA assistance (as detailed below) are not required to submit a cost-effectiveness narrative.

BENEFIT-COST ANALYSIS ASSISTANCE

Benefit-Cost Analysis assistance may be provided to certain subapplicants, as identified below. This assistance may include support 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. There are no project cost requirements to receive this Benefit-Cost Analysis assistance. The information provided in this policy aid is intended as a helpful resource, and it is not a request for information.

1. For the BRIC Program and Congressionally Directed Spending Pre-Disaster Mitigation program, eligibility for BCA assistance applies to projects that are submitted by:
 - a. A federally recognized tribe or Indian tribal government, as defined in 42 U.S.C. § 5122(6), meaning the governing body of any Indian or Alaska Native tribe, band, nation, pueblo, village, or community that the Secretary of the Interior acknowledges to exist as an Indian tribe under the Federally Recognized Indian Tribe List Act of 1994 (25 U.S.C. 479A et seq.); or
 - b. An Economically Disadvantaged Rural Community (EDRC), as defined in 42 U.S.C. § 5133(a), meaning a small, impoverished community of 3,000 or fewer individuals that is economically

¹ Refer to the Hazard Mitigation Assistance Program and Policy Guide Part 5.C.1.2: Project Costs for additional details.

² For more information, please visit FEMA's ["Benefit Cost Analysis" webpage](#).

disadvantaged, as determined by the State in which the community is located and based on criteria established by the President. The current criteria include residents having an average per capita annual income not exceeding 80% of the national per capita income; or

- c. A Community Disaster Resilience Zone, meaning projects that are within, or primarily benefit, a Community Disaster Resilience Zone. Primarily benefit means 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 may be eligible for increased cost share and prioritization points as reflected in BRIC Notices of Funding Opportunity. Instructions for identifying a Community Disaster Resilience Zone can be found [on this webpage](#). Additional details can be found in [the Community Disaster Resilience Zones Act, Pub. L. No. 117-255, \(creating 42 U.S.C. § 5136\)](#)
2. For the Flood Mitigation Assistance program, HMGP, and HMGP Post Fire projects, this applies to projects that are submitted by:
 - a. A federally recognized tribe or Indian tribal government, as defined in 42 U.S.C. § 5122(6), meaning the governing body of any Indian or Alaska Native tribe, band, nation, pueblo, village, or community that the Secretary of the Interior acknowledges to exist as an Indian tribe under the Federally Recognized Indian Tribe List Act of 1994 (25 U.S.C. 479A et seq.). or
 - b. A small and impoverished community, as defined in 44 C.F.R. § 201.2, meaning a community of 3,000 or fewer individuals that is identified by the State as a rural community, and is not a remote area within the corporate boundaries of a larger city; is economically disadvantaged, by having an average per capita annual income of residents not exceeding 80% of national, per capita income, based on best available data; the local unemployment rate exceeds by one percentage point or more, the most recently reported, average yearly national unemployment rate; and any other factors identified in the State Plan in which the community is located. or
 - c. A Community Disaster Resilience Zone, meaning projects that are within, or primarily benefit, a Community Disaster Resilience Zone. Primarily benefit means 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. The Flood Mitigation Assistance program may use additional criteria, such as benefits to larger populations of NFIP policy holders. Please refer to Flood Mitigation Assistance Notices of Funding Opportunity for more information.

HOW TO REQUEST BCA ASSISTANCE

For additional information or assistance with obtaining answers to eligibility related questions, prospective sub-applicants should consult the official designated point of contact for their applicant state/tribe/territory for further information regarding specific program and application requirements. To learn more about how to contact your local State Hazard Mitigation Officer, please visit [State Hazard Mitigation Officers | FEMA.gov](#).

FEMA will review hazard mitigation project subapplications for the BRIC, Flood Mitigation Assistance, HMGP, and HMGP Post Fire programs during the pre-award process. As part of the review process, FEMA may assist eligible communities with developing a BCA. Eligible community subapplicants who meet the criteria defined above do not

need to submit a BCA with their subapplication, but they should provide the best available data related to risk to structures and infrastructure from the natural hazard, level of protection provided by the project, and documentation of historical damage, if available. Providing data related to the risk will allow for a more expeditious review of the application. FEMA will work with the subapplicant to obtain the required data if the subapplicant is unable to provide the recommended data.

PREVIOUSLY SUBMITTED PROJECTS AND STREAMLINED APPROACHES

If a previously submitted project meets the requirements below, streamlined approaches may be applied to assess its cost-effectiveness.

- For HMGP and HMGP Post-Fire projects:
 - If the application period remains open and the application was previously denied based on BCA review, applicants may resubmit the BCA using the 3.1% discount rate for FEMA to re-evaluate only the cost-effectiveness of projects within the application. If the total cost of the project is under \$1 million it may be evaluated for cost-effectiveness with a narrative that includes qualitative and quantitative data demonstrating the benefits and costs of the project.
 - For projects that were denied by FEMA based on BCA review and for which the application period is closed, applicants may request that FEMA re-evaluate those projects for cost-effectiveness using a 3.1% discount rate, provided the appeal time frame has not passed and the appeal requirements in [44 Code of Federal Regulations 206.440](#) are met. If the total cost of the project is under \$1 million, it may be evaluated for cost-effectiveness with a narrative that includes qualitative and quantitative data demonstrating the benefits and costs of the project.
 - For projects that are currently under review, FEMA will consider the 3.1% discount rate if no final determination on the project award has been concluded as of the signature date of FEMA Policy 206-23-001. If the total cost of the project is under \$1 million it may be evaluated for cost-effectiveness with a narrative that includes qualitative and quantitative data demonstrating the benefits and costs of the project.
 - FEMA will not reopen any application periods for HMGP or HMGP Post Fire due to the policy change. For declarations with closed application periods, applicants and subapplicants may not submit any new subapplications. Any changes to the scope of work must align with the parameters established in Part 8 of the [Hazard Mitigation Assistance Program and Policy Guide | FEMA.gov](#)

Questions

For questions about BCAs or the BCA Toolkit, email the BCA Helpline at bchelpine@fema.dhs.gov or call toll free at 855-540-6744, 9 a.m. to 5 p.m. ET Monday through Friday. (Note that the BCA Helpline cannot review or perform BCAs.) For assistance with performing or reviewing a BCA, or to obtain answers to eligibility or policy questions, please visit [fema.gov](https://www.fema.gov) to learn more or contact your local State Hazard Mitigation Officer. For policy or guidance related questions please contact the Hazard Mitigation Assistance Program and Policy Guide team at fema-hma-guide@fema.dhs.gov.