Safeguarding Tomorrow Revolving Loan Fund Program

Program description

The Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM) Act became law on Jan. 1, 2021 and authorizes FEMA to provide capitalization grants to states, eligible federally recognized tribes, Puerto Rico and the District of Columbia to establish revolving loan funds that provide hazard mitigation assistance for local governments to reduce risks from natural hazards and disasters. The Act amends the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

These low interest loans will allow jurisdictions to reduce vulnerability to natural disasters, foster greater community resilience and reduce disaster suffering.

What is needed for this program

Legislation: Legislation that protects funds from state sweeping, allows making money with the loan payback to self-fund the program in the future.

Note from Deputy Attorney General: NRS does not contain a specific law authorizing a revolving loan account and given the complexity of the program, that concerns me. However, NRS 414.040(c) says the Chief shall “Adopt regulations setting forth the manner in which federal funds received by the Division to finance projects related to emergency management and homeland security are allocated …” I would be concerned about running a complex loan program based on that general authority, but you should know that it does exist in law.

Staffing: Recommended 5 staff members for this program and loan experience is required (Potentially and external contract)

Intended Use Plan must be provided with state application. Must provide documentation of a public comment and review period (time is up to State)

Notice posted for minimum of 6 weeks of local jurisdiction ability to participate in the program. Documentation of this notification must be provided with the state application.

Cost Share: Once notified by FEMA of potential award, applicant (State)) must confirm intent to contribute Not Less Than 10% of the proposed grant to the entity loan fund. Cost share is for the grant to the State, not the loans for the local jurisdiction. (Thereafter, before each grant is awarded, DEM must deposit at least 10% match of general fund to the entity loan fund.)

Entity Loan Fund: Prior to grant award, an entity loan fund must be established and thereafter administered by the applicant agency responsible for emergency management.

States participating this first year

- Arizona – have requested match funding from legislature, no staff but will try to participate this year.
- Florida – put in for 5 additional positions to bring into the mitigation section for this program.
- New York – maybe
- Tennessee – maybe

States not participating this first year

- Arkansas - no capacity to hire 5 additional with a loan officer to manage. Does not want to participate at all because of capacity. Difficulty getting participants to apply for grants much less a loan.
- California - no time for a new program like this one
- Colorado – no statute or staff and no other state agency to piggyback on
- Iowa – no staff and no statute but do have a state agency with framework to draw from (such as NDEP)
- Massachusetts – not ready
- Minnesota – not this first cycle
- Mississippi – no staff to manage this program
- Nebraska – not participating as do not have the staffing to handle additional program
- Ohio – Not participating – they are waiting for all of the rest of the states to tell FEMA what to do and then they will participate
- Rhode Island – no staff or statute in place
- Utah – not this first cycle
- Vermont – Not enough staffing and no statutory authority

Program information

Total available nationwide year 1:	$50,000,000
Total 5-year federal investment:	$500,000,000
Loan ceiling:	Individual jurisdiction loan maximum is $5,000,000.
Required Match:	10% cash match to be added to the grant from FEMA

- Once an applicant (State) receives notification from FEMA of a potential grant award, the applicant (State) must confirm its intent to contribute not less than 10 percent of the proposed grant to the entity loan fund. On or before the award is received, the applicant must contribute to the entity loan fund an amount equal to at least 10 percent of the capitalization grant. If the 10% is less than the grant amount, FEMA will reduce the grant amount to make it 10%.

Period of performance: 24 months from date of award.

Within the period of performance for capitalization grants awarded under this Notice of Funding Opportunity (NOFO), recipients (State) must establish the revolving loan fund and utilize the full federal and non-federal share of funding made available to issue loans.

Projects funded by the loans do not need to be completed within the period of performance for capitalization grants. Loans do not need to be fully repaid during the period of performance for capitalization grants.

Extensions to the period of performance are allowed. For additional information on period of performance extensions, please refer to Section G of this NOFO.

Loan recipient: MUST be a local government.

Equity: Goal is that 40% of overall benefits generated by the entity loan funds flow to underserved areas.

This program does not fall under the Justice40 Initiative by President Biden. However, FEMA's goal is to follow those same guidelines with 40% of funding benefitting underserved and disadvantaged communities.

Interest rate: Interest rate for loans must be **1% or less**.

**This will affect the building out of available funds for this program. The idea is that FEMA funds for five years and after that the program becomes viable and continues to grow so the State can continue to provide these very low-cost loans to local governments.

Application period: February 1, 2023 - April 28, 2023 (12:00 pm PST) (Similar timing yearly thereafter)

System of use: ND Grants until everything moves to FEMA GO.

NOTE: FEMA has considered the administrative burden on entities and anticipates making available no less than **$5.1 million per capitalization grant application selected** for funding with this first funding opportunity.

Awarded amounts are subject to availability of funds, quality of applications, and other applicable considerations.

Through the Safeguarding Tomorrow RLF program, FEMA empowers entities to make funding decisions and award loans directly. The revolving loan funds that they create will help local governments carry out hazard mitigation projects that reduce disaster risks for homeowners, businesses, nonprofit organizations, and communities to help them build climate resilience.

**Eligible activities

Costs associated with mitigation activities for:

- Drought and prolonged episodes of intense heat
- Severe storms, including hurricanes, tornadoes, windstorms, cyclones, and severe winter storms
- Wildfires
- Earthquakes
- Flooding
- Shoreline erosion
- High water levels
- Storm surges
- Building code adoption and enforcement
- Local government implementation of zoning and land use planning
- Cost share/match for other HMA Grants

**All of the above eligible items have additional limits per the NOFO.

Additional information

The Safeguarding Tomorrow RLF program complements and supplements FEMA's Hazard Mitigation Assistance (HMA) grant portfolio to support mitigation projects at the local government level and increase the Nation's resilience to natural hazards and climate change. Entity loan funds can be leveraged differently than other funding opportunities to meet unique funding needs. This program will support entity-led hazard mitigation priorities and allow participating entities to meet their funding needs as described in the entity's Intended Use Plan (see Section D.10.b). Such needs may include but are not limited to: meeting nonFederal cost-share requirements for other grants, upfront project design costs, smaller projects that may not qualify for other HMA grant programs, or projects that do not meet the cost-effectiveness requirements applicable for other programs.

Funding for the Safeguarding Tomorrow RLF program is limited. Pursuant to the Infrastructure Investment and Jobs Act, also more commonly known as the Bipartisan Infrastructure Law (BIL), FEMA must award funding through multiple Notices of Funding Opportunity over a 5-year period.

Objective

The objective of the Safeguarding Tomorrow RLF program is to capitalize applicant established revolving loan funds that will provide loans to local governments most in need of financing assistance to complete hazard mitigation projects and activities that will reduce risks from natural hazards for homeowners, businesses, nonprofit organizations, and communities in order to decrease the loss of life and property; the cost of insurance; and federal disaster payments.

Program priorities

The priorities of the Safeguarding Tomorrow RLF program are to:

- **Empower Entities.** FEMA will collaborate with eligible entities to help them increase their capacity and capability, through focused engagement activities leading up to the application period and providing increased technical assistance during the Year 1 application period.

- **Create innovative funding solutions.** Applicants can leverage loans for non-federal cost share with other FEMA Hazard Mitigation Assistance programs, helping underserved communities access additional funding resources.

- **Deliver equitable investments and increased access.** A goal of the Safeguarding Tomorrow RLF program is that 40% of the overall benefits generated by the entity loan funds flow to underserved communities.

- **Reduce grant application complexity.** The goal of launching this effort is to reduce program complexity by breaking down barriers and increasing access to mitigation funding.

- **Maximize administrative flexibility.** Throughout the process, identify administrative burdens and reduce them to the greatest extent possible.

Primary priority is to capitalize multiple revolving loan funds that will provide local governments most in need of financing assistance with low-interest loans to finance hazard mitigation projects in their entirety, or the non-federal cost-share requirement for other FEMA HMA grants.

For this first inaugural year, other priorities include:

- Collaborating with participating entities to understand programmatic capacity and capability needs
- Promoting equity in the distribution of loan funds
- Supporting the delivery of innovative and transformational hazard mitigation projects addressing the priorities established in 42 U.S.C. § 5135 (d)(3).

The program framework has incorporated key components of FEMA's agency-wide strategic priorities to minimize administrative burden on entities. At the grant level, FEMA will leverage the technical assistance allowable under 42 U.S.C. § 5135 (d)(2) to work with entities in the Year 1 application period to develop a more simplified grant application process, while still complying with statutory requirements and equity priorities. Application requirements are provided in more detail in Section C.2 of this NOFO.

Recommendation

One of two choices, DEM Mitigation, EMPM – Preparedness, DAG, CFO, and Deputy recommend A.

A. Submit BDR in 2025 for statute
    1. No sweeping funds
    2. Develop regulations.
    3. Get buy-in from locals.

B. Submit BDR in 2023 for statute, wait until 2025 to apply
    1. No sweeping of funds
    2. Develop regulations.
    3. <u>No chance</u> for buy-in from locals.
    4. Hire staff/Contract out.

During the above time, DEM will:

1. Figure what happens with first year $50 Million nationwide
2. Punishment for not participating or late to the process and having a lower rated application (Enhanced status)