

Disaster Resilience: FEMA Should Improve Guidance and Assessment of Its Revolving Loan Fund Program

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Q&A Report to Congressional Committees

February 24, 2025

Why This Matters

Hurricanes, floods, wildfires, earthquakes and other natural disasters affect hundreds of American communities each year. Due to the rising number of natural disasters, there has been a growing emphasis on hazard mitigation projects, such as floodwalls and seismic retrofitting, as a way to prevent damage before it occurs. The Safeguarding Tomorrow through Ongoing Risk Mitigation Act (STORM Act), enacted in 2021, authorized the Federal Emergency Management Agency (FEMA) to award capitalization grants—seed funding—to help eligible states, territories, Tribes, and the District of Columbia (DC) establish revolving loan funds for mitigation assistance. In response, FEMA established the Safeguarding Tomorrow Revolving Loan Fund (RLF) grant program in 2022.

RLF grant recipients provide loans to local governments or a sub-component of a local government for hazard mitigation projects that reduce community risks from natural disasters. The loans are intended for local governments most in need of assistance, including low-income geographic areas and underserved communities.

The STORM Act includes a provision that we review FEMA's implementation of the RLF program. This report includes information on how the program works, the number of grants FEMA has awarded to-date, the guidance FEMA has developed for the program and whether program participants find it useful, how applicants select projects, and FEMA's efforts to assess program effectiveness.

Key Takeaways

- In September 2023, FEMA announced the first eight awardees (seven states and DC) selected to receive a combined \$50 million from the RLF program. Seven awardees received their fiscal year 2023 awards in spring 2024. One awardee decided not to accept FEMA's award, in part due to unclear and incomplete guidance. In September 2024, FEMA announced 12 awardees selected to receive a combined \$150 million for fiscal year 2024.
- Awardees determine what projects will receive loans based on the hazard mitigation needs of their communities. Projects FEMA reviewed during the fiscal year 2023 application process included projects intended to mitigate the impacts of hazards such as flooding, severe storms, and high winds.
- FEMA has shared information with and provided technical assistance to program participants covering various aspects of the RLF program. However, awardees we met with told us, and our review of FEMA documents confirmed, that the guidance was incomplete, unclear, and inconsistent. We

recommend that FEMA ensure its RLF program guidance is complete, clear, and consistent, such as by updating its current *Hazard Mitigation Assistance Program and Policy Guide* to include such information about the RLF program.

- FEMA does not have a process for regularly assessing the effectiveness of the program. Such a process could strengthen FEMA’s ability to assess program performance and ensure that its program goals are met both in the short and long term. We recommend that FEMA document and implement a process, incorporating evidence-based decision-making key practices, to regularly assess program effectiveness.

What is FEMA’s Safeguarding Tomorrow Revolving Loan Fund program?

FEMA’s RLF program, established pursuant to the STORM Act, provides capitalization grants—seed funding—for eligible applicants to establish revolving loan funds for hazard mitigation projects (fig. 1).¹ Eligible applicants include state, territorial, tribal governments, and Washington, DC.²

Figure 1: FEMA’s Definition of a Revolving Loan Fund



What is a revolving loan fund?

A revolving loan fund is a funding mechanism that allows entities to issue loans to local governments to finance a project or activity. After the project or activity is completed, the loan borrower repays the loan to the revolving loan fund with applicable interest. Funding associated with the revolving loan fund is continuously recycled, which allows entities to issue additional low-interest loans in perpetuity for the life of the revolving loan fund.

Source: Federal Emergency Management Agency (FEMA) Fact Sheet on Safeguarding Tomorrow Revolving Loan Fund Program. | GAO-25-107331

FEMA selects grant awardees annually through a competitive grant selection process and based on available funding. If awarded a grant, the awardee must contribute the required 10 percent match.³ According to FEMA officials, as of January 2025, all eligible applicants had been selected to receive RLF grant awards.⁴

According to the STORM Act, awardees must establish a revolving loan fund, which is generally to be administered by their agency responsible for emergency management and administration.⁵ Once the RLF is established, the awardees provide loans to local governments or a sub-component within the local government for eligible hazard mitigation projects.⁶ After the project is completed, loan recipients repay the revolving loan fund with applicable interest. The funds repaid are to then be used by awardees for additional low-interest loans.

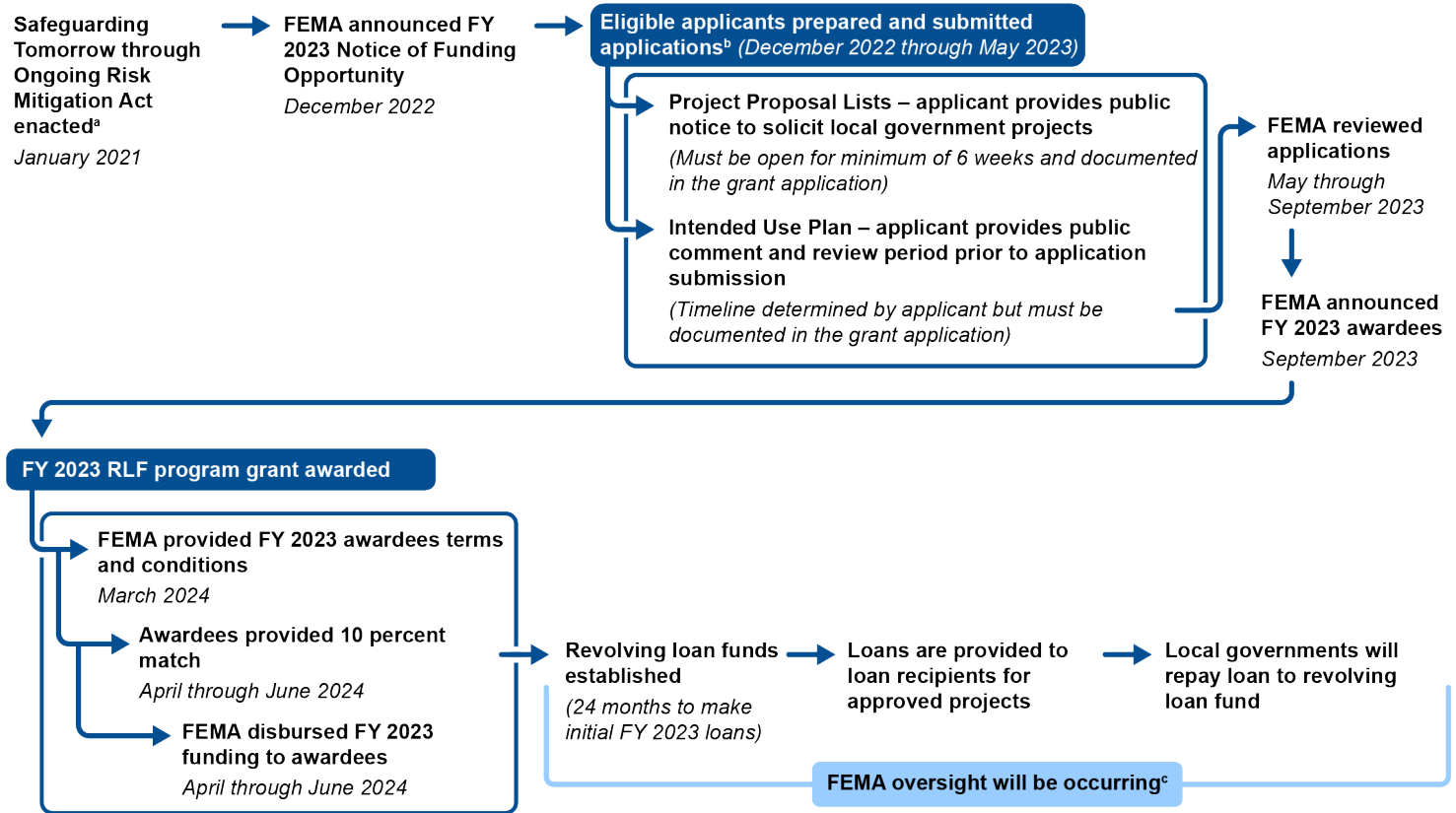
RLF program documents provide stipulations, consistent with statutory requirements, on the interest rate, maximum loan amount, and loan repayment periods.

- **Loan interest rates.** Loans cannot have an interest rate higher than 1 percent. Awardees can choose different interest rates for different projects and can decide not to apply any interest.
- **Loan amount.** Loans cannot equal or exceed \$5 million.
- **Loan repayment.** Loan recipients must begin repayment within a year after the project is finished. Standard loans need to be repaid within 20 years of the date the project is completed. For projects in low-income geographical

areas, loans need to be repaid within 30 years of the project completion date and not longer than the project’s expected design life.⁷

For more detail on the fiscal year 2023 RLF program process as of January 2025, see figure 2.

Figure 2: Process for FEMA’s Safeguarding Tomorrow Revolving Loan Fund (RLF) Program, Fiscal Year (FY) 2023



Source: GAO analysis of Federal Emergency Management Agency (FEMA) RLF documents. | GAO-25-107331

Note: This process is for the fiscal year 2023 funding cycle.

^aSafeguarding Tomorrow through Ongoing Risk Mitigation Act (STORM Act), Pub. L. No. 116-284, 134 Stat. 4869 (2021). In November 2021, the program was appropriated \$500 million for a five-year period through fiscal year 2026. Pub. L. No. 117-58, 135 Stat. 429, 1386 (2021).

^bThe STORM Act, as amended, defines eligible applicants as states, territories, DC, and tribal governments that have received a major disaster declaration. 42 U.S.C. § 5135(m)(3).

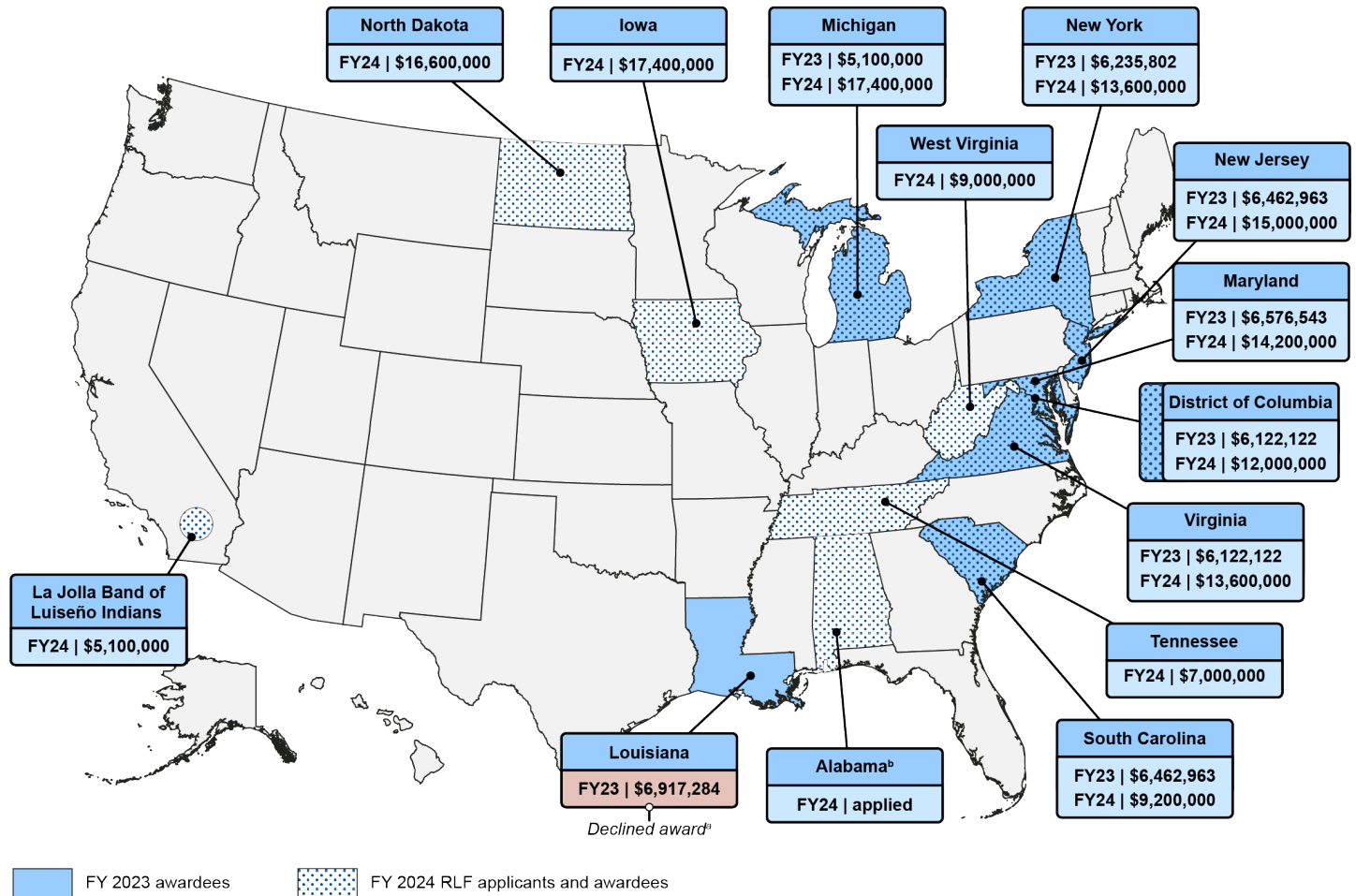
^cAccording to FEMA documents, FEMA will be conducting oversight of the RLF program once the funds are disbursed to the awardees and the awardees establish their revolving loan funds.

How many program grants has FEMA awarded?

As of January 2025, FEMA had selected 20 grants to award through the RLF program. The program was appropriated \$500 million for a five-year period through fiscal year 2026.⁸ In September 2023, FEMA announced the first eight awardees selected to receive a combined \$50 million in fiscal year 2023 grants. One awardee declined its 2023 award in April 2024.⁹ Between April and June 2024, FEMA provided funding to the seven fiscal year 2023 awardees that accepted their award.

In December 2023, FEMA announced that it would award \$150 million for fiscal year 2024 and, in June 2024, announced that 13 applicants had applied to the program. In September 2024, FEMA announced that 12 of the 13 applicants were selected to receive an award. As of September 2024, FEMA was still in the process of providing funds for these awards (see fig. 3).

Figure 3: FEMA’s Safeguarding Tomorrow Revolving Loan Fund (RLF) Fiscal Year (FY) 2023 Awardees and FY 2024 Applicants and Awardees



Source: Federal Emergency Management Agency (FEMA). | GAO-25-107331

^aAccording to Louisiana state officials, Louisiana decided in April 2024 to decline its award, in part due to the lack of program guidance from FEMA. According to FEMA officials, as of September 2024 the amount initially awarded to Louisiana is still available for Louisiana to accept should state officials decide to do so.

^bAccording to FEMA officials, Alabama did not provide adequate information in its application to meet the statutory requirements to implement a revolving loan fund. As a result, Alabama was not selected to receive a fiscal year 2024 award.

As of fiscal year 2024, what guidance and technical assistance has FEMA developed for the RLF program?

As of fiscal year 2024, FEMA has developed some sources of program and policy guidance, and technical assistance for program participants including applicants and awardees. For both the fiscal year 2023 and 2024 grant cycles, FEMA’s guidance was spread across multiple sources covering different aspects of the RLF program. During our interviews with FEMA officials and awardees, they cited the 2023 and 2024 Notices of Funding Opportunity associated with the grants as the guidance for the program.¹⁰ Other program support materials were available on the FEMA website.

For fiscal year 2023 applicants, the fiscal year 2023 Notice of Funding Opportunity served as the primary source of program guidance, according to FEMA officials and fiscal year 2023 RLF program awardees. This document provided guidance to applicants about the program’s goals and objectives, eligibility criteria, how funding can be used, and application deadlines. For the fiscal year 2024 grant cycle, FEMA provided updates through the fiscal year 2024 Notice of Funding Opportunity, including changes such as available grant

funding and a new section on promoting the use of hazard-resistant building codes. In addition to the Notice of Funding Opportunity, FEMA provided other program information and tools on its website. For example, FEMA shared a template for the Intended Use Plan and the Project Proposal List to guide applicants during the 2023 and 2024 application processes.¹¹

For awardees, FEMA provided additional information on program requirements in its Grant Award Letters with terms and conditions.¹² The terms and conditions include Articles of Agreement that describe 26 articles that the recipient agrees to. These include the period of performance requirements for the grant award, the amount awarded, and the requirement that loans be issued only for hazard mitigation projects. In addition to these sources of guidance, FEMA officials told us FEMA headquarters and regional staff frequently communicate with participating awardees through emails and verbal communication, updating applicants and awardees about program policy decisions. Two awardees told us FEMA was very responsive to their phone calls and emails.

In addition to written guidance, FEMA has provided additional resources and technical assistance to applicants and awardees. For example, prior to its release of the fiscal year 2023 Notice of Funding Opportunity, FEMA presented at five conferences, including the National Emergency Management Association's annual forum, and held 12 Question-and-Answer sessions with potential applicants. FEMA also held five office hour sessions between January 2023 and April 2024 to answer applicants' general questions about the program.

Is the guidance FEMA provided to program participants complete, clear, and consistent?

Interviews with all eight fiscal year 2023 awardees indicate that the program guidance was incomplete, unclear, or in some instances inconsistent, which led one awardee to decline its award. Where awardees identified concerns that program guidance was incomplete, unclear, or inconsistent we confirmed their concerns through our review of FEMA documentation and interviews.

- **Incomplete.** Four of the eight awardees told us that FEMA's guidance did not have complete information. For example, one awardee told us that incomplete guidance regarding FEMA's close-out reporting requirements and the associated risk of not knowing certain information outweighed the benefits of the program. According to this awardee, the incomplete guidance led this state to turn down the fiscal year 2023 grant award and not apply for fiscal year 2024. This same awardee said it is unclear when FEMA would provide more complete information about requirements that apply to subsequent loans financed by repayment of the original loans to the revolving loan fund. We found that the terms and conditions provided to the grant awardee state that FEMA will issue separate guidance on this issue at a later time.

Further, this awardee told us that the guidance did not have complete information about the roles and responsibilities that would apply during loan-closeout procedures. Our review of the guidance confirmed that FEMA did not have complete information about the roles and responsibilities associated with the loan-closeout procedures. The awardee told us they were expecting FEMA guidance on this, but FEMA officials told us they were not responsible for issuing guidance on loan-closeout procedures. However, the website and Notices of Funding Opportunity did not indicate to applicants and awardees who is responsible for issuing guidance on this topic.

Finally, one of the documents FEMA used to communicate guidance—the Grant Award Letter with terms and conditions—is only available to awardees

once FEMA makes an award. Without access to information in the document, such as, the Articles of Agreement which include information about the process for implementing an entity loan fund, applicants must apply without key information.

- **Unclear.** All eight awardees described some lack of clarity regarding FEMA’s written guidance and technical assistance from FEMA officials. Three awardees told us that FEMA guidance was ambiguous and unclear about what responsibilities an awardee would have for managing and reporting on their project proposal lists under the RLF program. For example, one awardee told us they were uncertain if FEMA expected them to update the project proposal list quarterly, every 6 months, or once a year. We reviewed the fiscal years 2023 and 2024 Notices of Funding Opportunity and determined that information pertaining to project proposal updates was not included.

One awardee also stated that unclear guidance may put loan recipients at risk. Specifically, vulnerable communities may have difficulties understanding and determining what reporting requirements apply to them, which could put them at risk of providing FEMA with incorrect or insufficient information.¹³

Further, two awardees noted that they did not find FEMA’s technical assistance, such as the Question-and-Answer sessions, helpful because FEMA officials at these sessions could not provide clear answers to questions important to their state or jurisdiction. For example, one awardee told us that FEMA officials would only present what was on their presentation slides during Question-and-Answer sessions for applicants. When they were asked more specific questions about the program, FEMA officials could not provide them with clear answers. In addition, two awardees told us that the guidance that they received from FEMA regional staff was unclear, such as the level of detail required for their fiscal year 2023 application package. FEMA headquarters officials told us that in some cases regional staff have interpreted program information differently than headquarters intended. According to these officials, they have communicated information internally about the program to FEMA regional staff at weekly meetings.

- **Inconsistent.** We found that key sources of the program guidance were not always consistent, making it difficult for potential applicants to clearly understand the program. For example, the fiscal years 2023 and 2024 Notices of Funding Opportunity stated that recipients must comply with the Build America, Buy America Act.¹⁴ However, the terms and conditions provided to fiscal year 2023 awardees stated that the Act is not applicable. Further, although the fiscal year 2024 Notice of Funding Opportunity redirects applicants to the FEMA website, during the application period the website stated the RLF program was not subject to the requirement.¹⁵ FEMA officials told us that the updates to the website address the awardees’ concerns. However, the inconsistencies remain and continue to create confusion among program participants and prospective participants. One awardee we spoke with told us that they received verbal guidance from their FEMA regional office regarding the Build America, Buy America Act requirement that conflicted with the fiscal year 2024 Notice of Funding Opportunity. This was concerning to them because FEMA headquarters officials had told them the Notice of Funding Opportunity was the primary source of guidance for the program.

When program guidance is incomplete, unclear, or inconsistent it can contribute to administrative burden on awardees as they are learning how to manage a new program. Three awardees told us that managing this program can be

administratively burdensome, in part due to unclear and inconsistent guidance from FEMA. For example, one awardee noted the administrative burden of monitoring projects without clarity on the reporting information FEMA will require. In addition, some awardees told us that it required additional staff or knowledge to administer this program.

FEMA's other Hazard Mitigation Assistance grant programs and Public Assistance programs have provided publicly available information that spans multiple grant cycles. Providing such information may help ensure the information is complete and consistent over time. However, as noted above, FEMA's guidance for the RLF is spread across multiple sources, which may contribute to the inconsistencies and lack of clarity and completeness. For some programs, such as the Hazard Mitigation Grant Program, FEMA has issued regulations that describe program requirements. Additionally, one awardee stated that it would be helpful if FEMA developed a source of complete, clear, and consistent guidance similar to what FEMA has with its other grant programs. For example, FEMA's *Hazard Mitigation Assistance Program and Policy Guide* provides a consolidated source of guidance for its other Hazard Mitigation Assistance grant programs.¹⁶ Specifically, it outlines details such as roles and responsibilities of the awardees, the appeals process for non-compliance with an award, and a glossary to define technical terms used in the guidance. We found that the fiscal years 2023 and 2024 RLF Notices of Funding Opportunity did not provide this level of detail. Further, FEMA has not updated its *Hazard Mitigation Assistance Program and Policy Guide* to include the RLF program and does not have a timeframe for doing so. At present, the RLF program is FEMA's only active hazard mitigation program not included in the policy guide.

FEMA has not begun developing regulations for the RLF program. FEMA officials told us they described their fiscal year 2023 approach to the RLF program to applicants as a "test-and-learn" approach, where not all information about the program would be available at the start of the program. Further, FEMA officials stated that they did not have a plan for updating the *Hazard Mitigation Assistance Program and Policy Guide* to include the RLF program or otherwise create a new source of RLF program guidance because they did not see a need for it in the near term. They told us they would be assessing the need for such a document sometime in the long-term, but did not specify a timeframe. However, applicants did not think the existing guidance available to them for the first funding cycle was complete, clear, or consistent.

According to *Standards for Internal Controls in the Federal Government*, agencies should communicate internally and externally using quality information so that participating awardees can achieve their objectives and address any challenges or risks to their goals for increasing their community's disaster resilience.¹⁷ Further, the *2022-2026 FEMA Strategic Plan* emphasizes the importance of facilitating guidance that ensures technical information is easily understood.¹⁸ In addition, GAO's Disaster Resilience Framework states that the federal government can enhance resilience by reducing disincentives, such as unnecessary administrative burdens.¹⁹

In addition, since this program is in the early stages of implementation, ensuring clear and consistent program information, and communicating it to FEMA staff and program participants, could increase interest in the program and potentially greater investments in hazard mitigation projects by states, Tribes, and territories. Without better guidance, the program risks not achieving its goal of helping local governments carry out hazard mitigation projects that reduce disaster risks for communities. Further, by providing complete, clear, and consistent RLF program information, FEMA could reduce administrative burdens on applicants. By ensuring its guidance is complete, clear, and consistent, FEMA

could address concerns that fiscal year 2023 awardees had about the program and prevent future awardees from declining their awards.

How do applicants select RLF projects for loans?

Each applicant has its own process to select projects for loans. FEMA requires each applicant to submit a list of potential projects with their application, called the project proposal list.²⁰ In fiscal year 2023, applicants submitted between three and 61 projects as part of their project proposal lists.

According to FEMA guidance, applicants can include projects in their lists based on the applicant's unique mitigation needs and priorities for increasing disaster resilience. All eight fiscal year 2023 awardees identified in their applications' Intended Use Plans how the proposed projects on their respective project proposal lists would address their communities' hazard mitigation needs, one of FEMA's application requirements.²¹ In addition, all eight awardees identified how the proposed projects would align with their state hazard mitigation plans.²² For example, Maryland indicated in its Intended Use Plan that it would be using a scoring system to evaluate projects submitted based on alignment with Maryland's Hazard Mitigation Plan.

After FEMA awards an RLF program grant, the awardee must review its project proposal list to determine which project(s) are eligible and meet the financial requirements to receive a loan.²³ Awardees have various methods for determining final loan eligibility. For example, Michigan's Intended Use Plan states that once the state receives project applications, Michigan's Hazard Mitigation Committee will review and score each project proposal based on specific criteria. According to officials from Michigan, they intended to have their current project proposals reviewed by the committee in fall 2024. Their plan states that the highest scoring applications will be invited to apply for a loan from Michigan's RLF.

Regardless of an awardee's loan selection process, once a project is selected to receive a loan, most projects must undergo an Environmental Planning and Historic Preservation review before the loan can be issued. For projects that require such reviews, the local entity—in conjunction with the awardee—must submit an Environmental Planning and Historic Preservation Checklist and other information to FEMA prior to the awardee issuing the loan.²⁴

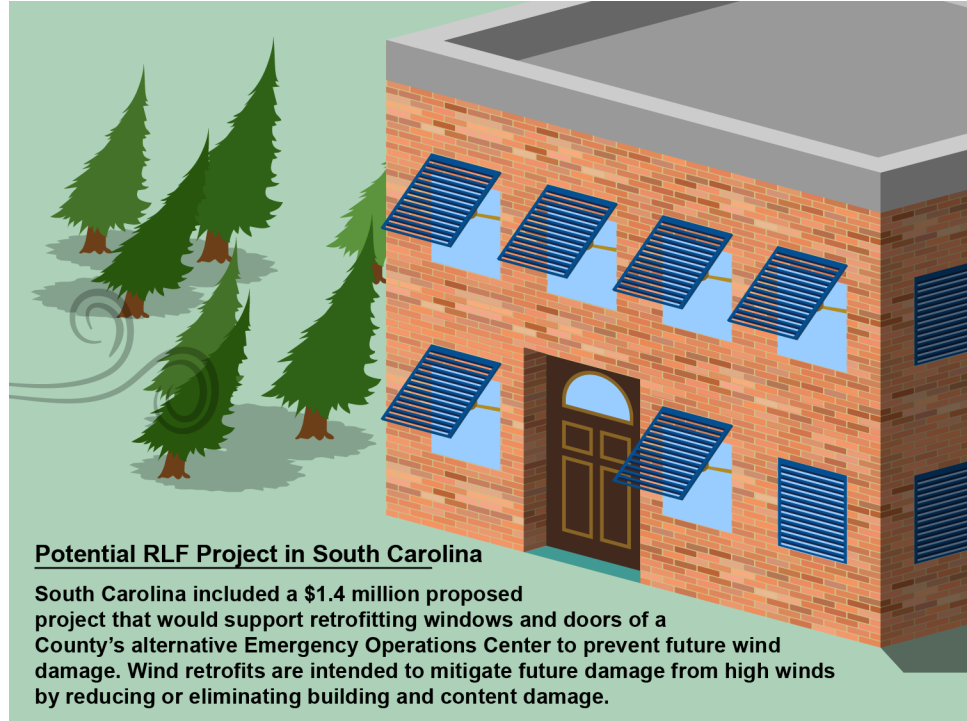
Awardees can update their project proposal lists to add or remove projects as needed but no more than once per quarter, according to FEMA officials. For example, New Jersey officials told us that they removed some of the projects that they initially had on their list based on local interest levels and resubmitted their list to FEMA for review. According to FEMA's website, current project proposal lists should be submitted at a minimum on an annual basis with the awardees' Intended Use Plans to ensure continued compliance, completeness, and alignment with program priorities. If a project does not align with program requirements, FEMA will provide additional guidance and comments in an applicants' Award Letter, according to FEMA officials.

What types of projects has FEMA reviewed for the RLF program?

FEMA reviewed a range of hazard mitigation projects, submitted by awardees as part of their 2023 project proposal lists. According to FEMA officials, as part of this process, they identified to awardees any potentially ineligible uses of RLF program loans in their 2023 Award Letters. Projects submitted with RLF program

applications that FEMA agreed were appropriate included mitigation measures such as elevating homes against floods, wind retrofits to public buildings, dam improvements, and wastewater flood mitigation, among others. For example, South Carolina included a wind retrofit project on its project proposal list to help prevent wind damage from severe storms (see fig. 4).

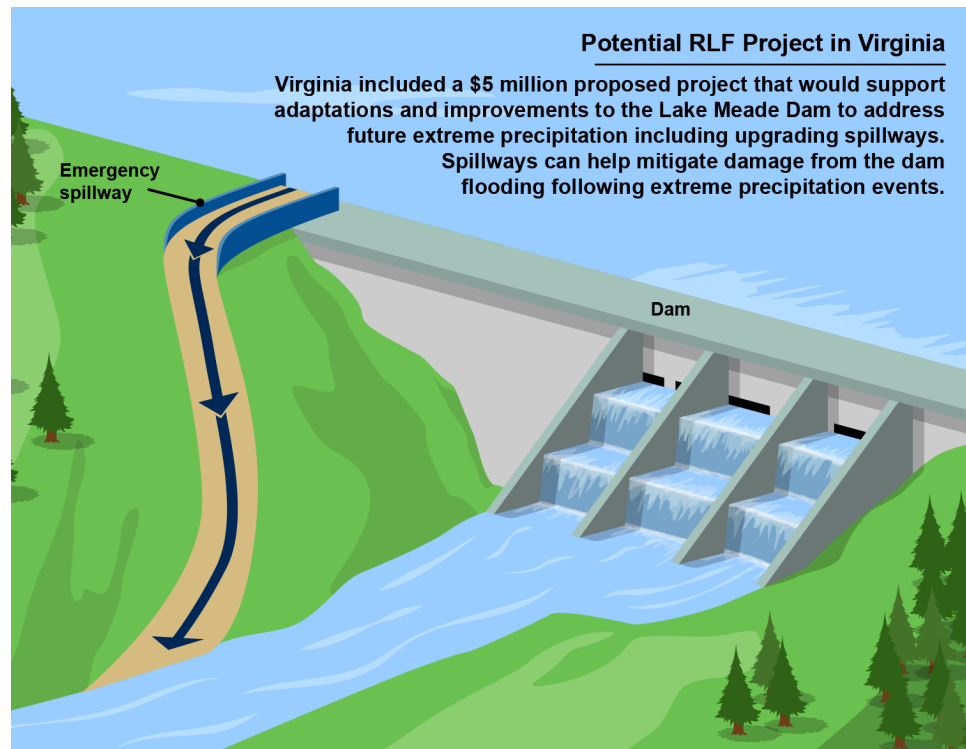
Figure 4: Potential Safeguarding Tomorrow Revolving Loan Fund (RLF) Project in South Carolina



Source: Federal Emergency Management Agency and South Carolina Emergency Management Division and GAO (graphics). | GAO-25-107331

According to FEMA guidance, loans issued from revolving loan funds can also be used to help satisfy the non-federal cost share requirement for other FEMA Hazard Mitigation Assistant grant programs, such as the Building Resilient Infrastructure and Communities (BRIC) program or the Flood Mitigation Assistance Program.²⁵ Federal funds that are used to meet the non-federal cost-share requirement must meet the purpose and eligibility requirements of both the relevant Hazard Mitigation Assistance grant program and the RLF program.²⁶ Three of the seven awardees that received fiscal year 2023 awards told us they are planning on issuing loans to local governments to help them satisfy the non-federal cost-share requirement for other FEMA Hazard Mitigation Assistance grant programs such as the Building Resilient Infrastructure and Communities (BRIC) program. For example, Virginia intends to provide a loan through the RLF program to the local community to help cover the non-federal cost share for a BRIC program grant-funded project to improve a local dam to prevent future flooding (see fig. 5).

Figure 5: Potential Safeguarding Tomorrow Revolving Loan Fund (RLF) Project in Virginia



Source: Federal Emergency Management Agency and Virginia Department of Emergency Management and GAO (graphics). | GAO-25-107331

Note: In August 2023, the Federal Emergency Management Agency (FEMA) announced it would award Virginia a \$24.21 million Building Resilient Infrastructure and Communities (BRIC) grant for Lake Meade dam adaptations pending further FEMA review. According to Virginia's fiscal year 2024 RLF Intended Use Plan, Virginia intends to use an RLF loan to help meet the non-federal cost share requirement for this BRIC program grant if FEMA awards it. According to Virginia officials, the project is estimated to cost \$31.78 million in total, with FEMA providing an estimated \$24 million and the local community providing \$7.9 million as the non-federal cost share. Virginia plans to assist the local community by providing it with an approximate \$5 million loan from the RLF program to go towards the local community's estimated \$7.9 million non-federal cost share of the project.

Other eligible uses of the RLF program include zoning and land use projects focused on low-impact development, wildland-urban interface management, conservation areas, reconnection of floodplains, and implementation of watershed or greenway master plans. In addition, RLF program loans can be used for building code adoption and enforcement. Some fiscal year 2023 awardees indicated that in the future they hope to use the RLF for more innovative disaster mitigation projects. For example, DC officials told us they would like to use their RLF to purchase emergency supplies for citizens residing in low-income areas to help mitigate the potential effects of a disaster.

What RLF program benefits did the fiscal year 2023 awardees identify?

Six of the eight awardees told us that the primary benefit of the RLF program was its flexibility, which encouraged investments in hazard mitigation. They cited two areas of flexibility: (1) the loans can be used for non-federal cost share for FEMA's other Hazard Mitigation Assistance grant programs and (2) applicants are not required to provide benefit-cost analysis for their proposed projects.

- **RLF loans can be used to meet other FEMA mitigation grant programs' match requirements.** Six fiscal year 2023 awardees we interviewed stated that the RLF program provided participating local entities the option to use their RLF program loans as the non-federal cost share for FEMA's other

Hazard Mitigation Assistance grant programs, as previously discussed. One awardee told us that an inability to provide the required non-federal cost share for these other programs, which can be 10 or 25 percent of the grant amount awarded, inhibits some communities from participating in FEMA's other Hazard Mitigation Assistance grant programs. Through the RLF program, a local entity can use a low-interest rate loan to cover those costs.

- **No benefit-cost analysis required.** One fiscal year 2023 awardee we interviewed also told us that the absence of a benefit-cost analysis requirement increased RLF program flexibility and reduced the burden of applying. For example, other FEMA Hazard Mitigation Assistance grant programs require applicants to provide a benefit-cost analysis to demonstrate that the estimated benefits of a project exceed the costs. As we have previously reported, applicants have cited this as a barrier to applying to those programs, due in part to the data and resources required to develop the analyses.²⁷

Four awardees noted that these flexibilities encouraged investments in hazard mitigation, particularly in vulnerable communities that have less capacity and available funding. We have previously reported that vulnerable populations face particular difficulties meeting benefit-cost analysis requirements.²⁸

What RLF program challenges did 2023 awardees identify and what is FEMA doing to address them?

In addition to the challenges with RLF program guidance, fiscal year 2023 awardees we interviewed told us they faced numerous challenges applying for and implementing the program. We found FEMA has taken some actions to address challenges within its purview, such as providing technical assistance by sharing financial management documents with applicants. Challenges identified by 2023 awardees included:

- **Insufficient funding for administrative costs.** Three of the fiscal year 2023 awardees told us the allowable costs for administering the revolving loan fund are not enough to fund the staff needed to manage the program long-term. Specifically, the STORM Act stipulates that awardees can use 2 percent of the grant amount, 1 percent of the value of the loan fund, or \$100,000 (whichever is highest) for administrative costs.²⁹ However, fiscal year 2023 awardees told us that because the life cycle of a loan can be as long as 30 years before it is fully paid back the allowable administrative costs are insufficient to cover the staff needed to run the program. FEMA officials stated they are unable to modify the allowable administrative costs as they are set in statute.
- **Inexperience with a revolving loan fund program.** Five of the eight fiscal year 2023 awardees told us that their inexperience managing a revolving loan fund was a challenge. For example, one awardee said they did not have the institutional knowledge within their Office of Emergency Management necessary to manage the administrative and financial aspects of a revolving loan fund.

For the fiscal year 2023 funding cycle, FEMA was still setting up the program as applicants were applying. According to one awardee, this made it difficult to anticipate the type of information FEMA would ask for during the application process. Specifically, one awardee told us that they had numerous conversations with FEMA which made the application process tedious. They noted that this was especially true since it was a new program with requirements that are not typical of FEMA's other grant programs. For

example, unlike FEMA's other Hazard Mitigation Assistance grant programs, after a hazard mitigation project is completed, the loan recipient is required to repay the loan to the revolving loan fund with any applicable interest.³⁰ Given this, applicants must provide details on how they plan to implement a loan application process and the criteria for awarding a loan, among other things.

Further, three fiscal year 2023 awardees told us that they needed specialized skills to administer and manage the RLF program. One awardee said doing so without the necessary expertise would be daunting. Another awardee told us that their emergency management office does not have the technical skills required to manage a loan program, such as how to manage the repayment agreement for a loan (e.g. amortization). Another awardee noted that they are looking to hire subject matter experts such as legal counsel, engineering and finance experts to help them manage the program.

FEMA has provided technical assistance by sharing financial management documents with applicants. For example, to help address applicants' inexperience managing a revolving loan fund, FEMA provided guidance on its website about how to maintain the long-term health of a revolving loan fund.

- **Program time frames.** Two of the eight fiscal year 2023 awardees said they had insufficient time to submit their application package. For example, they found it difficult to submit all the necessary documents and complete every application requirement on time. Specifically, one awardee found it difficult to solicit projects through the public notice, a requirement of the grant application process, and submit the Intended Use Plan to FEMA within the required time frames.³¹ Specifically, the fiscal year 2023 Notice of Funding Opportunity was released in December 2022 and applicants had until April 2023 to submit their applications. As a result, one awardee told us they had to ask for a time extension to submit the application package.

FEMA officials told us they are working to extend the application period, so applicants have more time in future years.

- **Limited interest from potential loan recipients.** Six fiscal year 2023 awardees told us they had trouble generating interest in RLF loans. Two of these awardees told us it was because some potential borrowers said they preferred a grant to a loan. Further, one fiscal year 2023 awardee told us that, although they received some interest from local entities within their state, none of them wanted to be the first local entity to take on a loan from a new program because of the uncertainties about how FEMA would oversee the projects.

According to FEMA officials, they hosted a Hazard Mitigation Partners Workshop in February 2024 where fiscal year 2023 applicants shared their knowledge and experience of the program with the public. The goal of the workshop was to help increase interest and provide information about the program. Additionally, FEMA officials said they plan to develop materials to share with potential loan recipients about the program.

- **Uncertainty about long-term sustainability of the fund.** Seven of the eight fiscal year 2023 awardees told us they were unsure whether they could operate their revolving loan fund in perpetuity. For example, because the STORM Act allows for repayment plans as long as 30 years, one awardee told us it could be 30 years before they recover the full amount of the loan. Further, because the Act requires that loans have an interest rate of 1 percent or less, there will be minimal interest being earned by the revolving loan fund to help keep the program solvent and to finance new hazard mitigation projects. FEMA officials stated that they have no control over the

future funding available for the program or the limits on interest rates based in statute.




- **State legislative requirements.** Six of the awardees told us that prior to accepting their fiscal year 2023 awards they had or were in the process of obtaining state legislative authorization to run a revolving loan fund with RLF program funding. Some awardees noted challenges determining whether their emergency management department needed legislative approval prior to implementing the program and if so, whether their government could enact legislation in time. For example, one awardee told us that prior to applying for the RLF, the emergency management department did not have the legislative authorization to administer a state revolving loan fund. They faced challenges obtaining legislative approval while simultaneously applying for the program because their state legislature had already approved the fiscal year 2023 budget. Another 2023 awardee told us that their state did not have legislative authorization to administer a revolving loan fund when they applied to the RLF program. They decided to pursue this authority in 2024 with the state and were authorized to administer funds from their RLF award by fall 2024.

According to FEMA officials, they cannot directly assist applicants with these legislative requirements. However, they noted the knowledge sharing workshops with fiscal year 2023 awardees as a way states can share information and help one another.

How will FEMA oversee the use of the RLF funds?

According to FEMA officials, FEMA plans to oversee the use of the RLF funds using quarterly, annual, and biennial reports from RLF program awardees. FEMA officials told us this will allow them to monitor that awardees are complying with program requirements. The first quarterly reports for fiscal year 2023 awardees were required to be submitted by the awardees at the end of July 2024, according to FEMA officials. Fiscal year 2024 awardees will be required to submit their first quarterly reports in April 2025, according to these same officials. Further, FEMA plans to use the Intended Use Plans to meet the annual reporting requirements for the RLF program. As of January 2025, FEMA also plans to use biennial audit reports to monitor that awardees are complying with program requirements. Awardees are required to begin submitting biennial audit reports two fiscal years after loan repayments begins. As such, FEMA officials had not yet begun to use them for oversight purposes. See figure 6 for information on these reporting requirements.

Figure 6: Federal Emergency Management Agency (FEMA) Safeguarding Tomorrow Revolving Loan Fund (RLF) Reporting Oversight Mechanisms

Reporting requirement	Information captured	Reporting interval
Quarterly Progress Reports	Project-level data on the loans provided from initial grant awarded (e.g. loan amounts, interest rates, project types, etc.)	Quarterly for 24 months ^a 
Annual Intended Use Plan updates	Awardees' plans for selecting projects, goals for their revolving loan fund, and hazard mitigation priorities.	Annually, in perpetuity for the life of the revolving loan fund 
Biennial audit reports^b	Awardees' review of the effectiveness of the entity loan fund in meeting the goals of the Intended Use Plan.	24 month/ in perpetuity 

Source: GAO analysis of FEMA documentation. | GAO-25-107331

^aFEMA officials told us they began collecting quarterly progress reports for fiscal year 2023 awardees in July of 2024.

^bAccording to the STORM Act, awardees (e.g. states, Tribes, territories, and the District of Columbia) are required to conduct the biennial audits and provide a report to FEMA. 42 U.S.C. § 5135(h)(1). Biennial reporting will begin on the second fiscal year after loan repayments begin.

How does FEMA plan to assess program effectiveness?

FEMA identified some tools to collect information on the RLF program; however, it lacks, and does not plan to implement, a process to systematically collect and evaluate data to assess program effectiveness across all phases of the program.

FEMA officials identified the quarterly reports, annual Intended Use Plan updates, and biennial audit reports as tools they can use to assess the RLF program. But they did not provide information on how they would use this information to assess program effectiveness.

While the quarterly reports provide project level data, FEMA only requires awardees to submit quarterly reports for only the first 2 years. The repayment period for a loan can be as long as 30 years. As a result, following the 2-year reporting period, FEMA will not have this data collection tool to potentially provide insight into the longer-term effectiveness of funded projects and implementation of the program. According to the STORM Act, awardees' biennial audit reports are to provide a review of the effectiveness of the RLF program with respect to meeting the goals and intended benefits described in the Intended Use Plan.

While the quarterly reports and biennial audit reports will be helpful for assessing the effectiveness of individual loan funds, neither will collect information that would provide insight into the effectiveness of the RLF program as a whole, including both desired program outcomes and effective program management. For example, they will not capture information on whether FEMA successfully addresses identified challenges in the application process.

FEMA officials have identified some types of assessments that could measure program effectiveness. For example, FEMA officials told us that they identified an assessment of insurance premium reductions and expected avoided losses as a result of a loan recipients hazard mitigation project as a way to measure program effectiveness. However, FEMA officials told us that despite identifying these types of potential assessments, they have not incorporated them into their program effectiveness practices.

FEMA officials told us that, because they have been focusing on short-term goals for administering the program, they do not have a plan or process for assessing RLF program effectiveness. The short-term activities include reviewing and approving fiscal year 2024 applications and disbursing grant funding. FEMA's priority of awarding capitalization grants for revolving loan funds is a necessary first step for program success but is not long-term focused, which is necessary for regularly assessing program effectiveness.

FEMA identified in its fiscal years 2023 and 2024 Notices of Funding Opportunity that program performance evaluation would focus on three objectives: (1) fund administration (ensuring that RLF funds are administered efficiently, managed effectively, and maintained in perpetuity), (2) equitable distribution of financing (ensuring that RLF funds reach local governments most in need of financing assistance), and (3) project implementation (ensuring funds are used to reduce natural hazards risk and future losses). However, FEMA does not have a process to evaluate progress toward meeting these objectives.

FEMA's fiscal years 2023 and 2024 Notices of Funding Opportunity state that Office of Management and Budget guidance for implementing the Foundations for Evidence-Based Policymaking Act of 2018 urges agencies to use program evaluations—an assessment using systematic data collection and analysis to assess program effectiveness and efficiency—as a tool to learn and improve program service and delivery across the program's lifecycle.³² Our prior work has identified 13 key practices that can help federal agency leaders and employees develop and use evidence to effectively assess program effectiveness.³³ These practices include four interrelated topic areas: (1) planning for results, (2) assessing and building evidence, (3) using evidence, and (4) fostering a culture of learning and continuous improvement. In addition, the STORM Act requires FEMA to conduct reviews and audits that are necessary or appropriate, every four years, to carry out the objectives of the law and determine the effectiveness of the fund in reducing natural hazard risk.³⁴

By documenting and implementing a process to regularly assess RLF program effectiveness that aligns with the 13 key principles, FEMA could better ensure that its program goals are met both in the short and long term. In addition, implementing such a process could help FEMA address the STORM Act provision for a quadrennial review and audit. Further, as previously mentioned, Congress appropriated \$500 million for the RLF program over a five-year period through 2026, and a documented assessment that demonstrates program outcomes could help Congress make decisions about future appropriations.

Conclusions

With natural disasters affecting hundreds of communities each year, the need to invest in hazard mitigation projects that prevent disaster damage is increasingly important. FEMA's RLF program has the potential to help communities, particularly vulnerable populations, invest more in hazard mitigation projects. For instance, the RLF program can help communities with less capacity meet the non-federal cost share requirements of FEMA's other Hazard Mitigation Assistance grant programs.

Since this new type of capitalization grant program is one FEMA and emergency management offices have not previously managed, it is vital that program guidance be complete, clear, and consistent. FEMA has developed and updated its program and policy guidance through the Notices of Funding Opportunity and FEMA's website. But our review found, and awardees have raised concerns that, FEMA's guidance is incomplete, unclear, and inconsistent. By ensuring that its guidance is complete, clear, and consistent, FEMA can better communicate

program information to FEMA staff and program participants. Doing so can lower the barrier to program participation and help participants navigate the challenges that come with administering this type of program.

Additionally, it is important that FEMA regularly assess the effectiveness of the program to ensure it is meeting its goals. It is critical that FEMA clearly understand and be able to describe to Congress whether the program is meeting its objectives. Documenting and implementing a process to regularly assess program effectiveness using evidence-based decision-making practices could help instill confidence in program participants and better ensure the long-term sustainability and success of the program.

Recommendations for Executive Action

We are making two recommendations to the FEMA Administrator. Specifically:

The FEMA Administrator should ensure that FEMA's RLF program guidance is complete, clear, and consistent. This could be accomplished by updating its *Hazard Mitigation Assistance Program and Policy Guide* to include complete, clear, and consistent information about the Safeguarding Tomorrow Revolving Loan Fund program. (Recommendation 1)

The FEMA Administrator should document and implement a process to regularly assess the effectiveness of the RLF program that incorporates evidence-based decision-making key practices. (Recommendation 2)

Agency Comments

We provided a draft of this report to the Department of Homeland Security (DHS) for review and comment. In its comments, reproduced in appendix I, DHS agreed with our recommendations and provided steps it plans to address them. DHS concurred with the first recommendation that FEMA ensure that its RLF program guidance is clear, concise, and consistent. Specifically, DHS said that it will utilize program and policy staff familiar with other comprehensive documents to determine the best path forward for developing a comprehensive guidance document for the program. In addition, FEMA's Hazard Mitigation Assistance program will work to develop policy determinations, such as whether funds will retain their federal character after the first round of loans and how much funding can be retained by applicants at closeout to cover administrative costs. These actions, if implemented effectively, should address the intent of our recommendation.

DHS also concurred with our second recommendation that FEMA document and implement a process to regularly assess the effectiveness of the RLF program. DHS stated that FEMA will develop an implementation plan that will include a methodology for collecting and storing data for analysis and will use evidence-based decision-making key practices to develop a document that shows program effectiveness. These actions, if implemented effectively, should address the intent of our recommendation. FEMA also provided technical comments, which we incorporated as appropriate.

How GAO Did This Study

To report on FEMA's Safeguarding Tomorrow Revolving Loan Fund (RLF) program guidance, we reviewed and analyzed the STORM Act as well as relevant FEMA documents including the Notices of Funding Opportunity for fiscal years 2023 and 2024, fiscal year 2023 Award Letters, and terms and conditions. Further, we reviewed documentary evidence of technical assistance FEMA has

provided for the program. To obtain information about the extent that FEMA has developed guidance for the RLF program and any plans for updating or creating new guidance, we interviewed FEMA program officials. Additionally, we conducted semi-structured interviews with all eight fiscal year 2023 awardees to obtain their perspectives on the usefulness of FEMA's guidance and any challenges they experienced during the application and award process. We compared FEMA's RLF program guidance to relevant practices identified in *Internal Controls in the Federal Government*, the *2022-2026 FEMA Strategic Plan*, and GAO's Disaster Resilience Framework for clear, consistent, and complete guidance.

To identify the number of grants awarded and the types of projects FEMA reviewed for fiscal year 2023 we analyzed award-level data for all the RLF program awardees. To ensure reliability of the data, we interviewed FEMA officials about how FEMA ensured the accuracy of the data and how FEMA collected and stored this data. In addition, we reviewed documentation, such as each awardee's project proposal lists, to verify the types of projects FEMA reviewed under the RLF program. We determined that the data were sufficiently reliable for reporting on the number of grants FEMA awarded for fiscal year 2023 and to report on the types of projects awardees planned to fund.

To describe how FEMA planned to oversee the RLF program, we collected and reviewed documentation of mechanisms FEMA was using to oversee the program, such as awardees' quarterly progress reports and Intended Use Plans. We also reviewed the requirements outlined in the STORM Act for FEMA to assess the program. We also interviewed FEMA program officials about how they plan to use these mechanisms to oversee and administer the program.

To evaluate the extent that FEMA plans to assess the RLF program's effectiveness in mitigating disaster--related costs, we reviewed relevant FEMA documents that described plans for assessing the program. In addition, we interviewed FEMA officials about future plans to assess and evaluate the program. We also reviewed FEMA's plans and actions taken to assess program effectiveness and the extent that they are consistent with GAO's key practices on evidence-based policymaking.

We conducted this performance audit from January 2024 to February 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.³⁵

Appendix I: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

BY ELECTRONIC SUBMISSION

February 5, 2025

Chris Currie
Director, Homeland Security and Justice
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548-0001

Re: Management Response to Draft Report GAO-25-107331, "DISASTER RESILIENCE: FEMA Should Improve Guidance and Assessment of its Revolving Loan Fund Program"

Dear Mr. Currie:

Thank you for the opportunity to comment on this draft report. The U.S. Department of Homeland Security (DHS, or the Department) appreciates the U.S. Government Accountability Office's (GAO) work in planning and conducting its review and issuing this report.

DHS leadership is pleased to note GAO's recognition that the Federal Emergency Management Agency (FEMA) shared information with, and provided technical assistance to, participants of FEMA's Safeguarding Tomorrow Revolving Loan Fund (Safeguarding Tomorrow RLF) program. FEMA remains committed to strengthening the Safeguarding Tomorrow RLF program and empower local governments to complete hazard mitigation projects that reduce community risks from natural disasters, pursuant the Safeguarding Tomorrow Through Ongoing Risk Mitigation Act of 2021, including developing and implementing a system to assess the effectiveness of the program as it moves forward.

The draft report contained two recommendations with which the Department concurs. Enclosed find our detailed response to each recommendation. DHS previously submitted technical comments addressing several accuracy, contextual, and other issues under a separate cover for GAO's consideration, as appropriate.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future

Sincerely,

JIM H
CRUMPACKER

Digitally signed by JIM H
CRUMPACKER
Date: 2025.02.05 15:31:48 -05'00'

JIM H. CRUMPACKER
Director
Departmental GAO-OIG Liaison Office

Enclosure

**Enclosure: Management Response to Recommendations
Contained in GAO-25-107331**

GAO recommended that the FEMA Administrator:

Recommendation 1: Ensure that FEMA’s RLF [revolving loan fund] program guidance is complete, clear, and consistent. This could be accomplished by updating its Hazard Mitigation Assistance Program and Policy Guide to include complete, clear, and consistent information about the Safeguarding Tomorrow Revolving Loan Fund program.

Response: Concur. Although the Safeguarding Tomorrow RLF Program was not previously added to the Hazard Mitigation Assistance Program and Policy Guide¹ because it was still under development and unlike other Hazard Mitigation Assistance programs, FEMA’s Hazard Mitigation Assistance (HMA) Division will utilize program and policy staff familiar with other comprehensive documents to determine the best path forward for developing a comprehensive guidance document for the program, as appropriate. Specifically, FEMA’s HMA will consider the audience, subject matter, and how much information is expected to change as the program evolves while developing this comprehensive guidance. Simultaneously, FEMA HMA will also work to develop policy determinations on related topics, such as whether funds will retain their federal character after the first round of loans and how much funding can be retained by applicants at closeout to cover administrative costs.

FEMA currently anticipates that guidance be drafted by the end of March 2026, and then the review and finalization of this guidance will be complete by the end of October 2026. More specifically, this effort will include the following:

Action:	Estimated Completion Date (ECD):
Establish best path forward for a comprehensive policy document.	July 31, 2025
Resolve known policy determinations.	December 31, 2025
Draft comprehensive policy document.	March 31, 2026
Finalize the comprehensive policy document for public use.	October 30, 2026

Overall ECD: October 30, 2026.

¹ “Hazard Mitigation Assistance Program and Policy Guide,” Version 2.0, dated July 30, 2024; https://www.fema.gov/sites/default/files/documents/fema_hma_guide_082024.pdf.

Recommendation 2: Document and implement a process to regularly assess the effectiveness of the RLF program that incorporates evidence-based decisions-making key practices.

Response: Concur. The Safeguarding Tomorrow RLF program will design processes for the systematic collection, analysis, and use of data to regularly assess the effectiveness of the Safeguarding Tomorrow RLF program, specifically using the metrics identified in the Notices of Funding Opportunity (NOFO)² from fiscal years 2023-2025, as appropriate, as well as the associated “Evidence and Overview Templates.” These templates demonstrate how funding proposals take an “evidence-and stakeholder-informed,” results-oriented approach to program design, and will be used to guide communication with DHS stakeholders, such as the Office of Management and Budget, to demonstrate how the program is building and using evidence to ensure its efficiency and effectiveness. The Safeguarding Tomorrow RLF program will also develop an implementation plan that will include a methodology for collecting data and storing it for analysis. This data will then be analyzed using evidence-based decision-making key practices to develop a document that shows program effectiveness. Additional actions for this effort will include:

Action	ECD
Identify and engage subject matter experts to develop a path forward.	June 30, 2025
Complete data collection and establish a data storage system.	December 31, 2025
Complete preliminary analysis of data and process.	June 30, 2026
Complete document showing program effectiveness.	September 30, 2026

Overall ECD: September 30, 2026.

² NOFOs are formally issued announcements of the availability of federal funding. NOFOs from The Safeguarding Tomorrow RLF program are posted and maintained on www.grants.gov.

Accessible Text for Appendix I: Comments from the Department of Homeland Security

BY ELECTRONIC SUBMISSION

U.S. Department of Homeland Security
Washington, DC 20528

February 5, 2025

Chris Currie
Director, Homeland Security and Justice
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548-0001

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The draft report contained two recommendations with which the Department concurs. Enclosed find our detailed response to each recommendation. DHS previously submitted technical comments addressing several accuracy, contextual, and other issues under a separate cover for GAO's consideration, as appropriate.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future

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JIM H CRUMPACKER

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JIM H. CRUMPACKER
Director
Departmental GAO-OIG Liaison Office

Enclosure

**Enclosure: Management Response to Recommendations
Contained in GAO-25-107331**

GAO recommended that the FEMA Administrator:

Recommendation 1: Ensure that FEMA’s RLF [revolving loan fund] program guidance is complete, clear, and consistent. This could be accomplished by updating its Hazard Mitigation Assistance Program and Policy Guide to include complete, clear, and consistent information about the Safeguarding Tomorrow Revolving Loan Fund program.

Response: Concur. Although the Safeguarding Tomorrow RLF Program was not previously added to the Hazard Mitigation Assistance Program and Policy Guide¹ because it was still under development and unlike other Hazard Mitigation Assistance programs, FEMA’s Hazard Mitigation Assistance (HMA) Division will utilize program and policy staff familiar with other comprehensive documents to determine the best path forward for developing a comprehensive guidance document for the program, as appropriate. Specifically, FEMA’s HMA will consider the audience, subject matter, and how much information is expected to change as the program evolves while developing this comprehensive guidance. Simultaneously, FEMA HMA will also work to develop policy determinations on related topics, such as whether funds will retain their federal character after the first round of loans and how much funding can be retained by applicants at closeout to cover administrative costs.

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Resolve known policy determinations.	December 31, 2025
Draft comprehensive policy document.	March 31, 2026
Finalize the comprehensive policy document for public use.	October 30, 2026

Overall ECD: October 30, 2026.

Recommendation 2: Document and implement a process to regularly assess the effectiveness of the RLF program that incorporates evidence-based decision-making key practices.

Response: Concur. The Safeguarding Tomorrow RLF program will design processes for the systematic collection, analysis, and use of data to regularly assess the effectiveness of the Safeguarding Tomorrow RLF program, specifically using the metrics identified in the Notices of Funding Opportunity (NOFO)² from fiscal years 2023-2025, as appropriate, as well as the associated “Evidence and Overview Templates.” These templates demonstrate how funding proposals take an “evidence-and stakeholder- informed,” results-oriented approach to program design, and will be used to guide communication with DHS stakeholders, such as the Office of Management and Budget, to demonstrate

¹ “Hazard Mitigation Assistance Program and Policy Guide,” Version 2.0, dated July 30, 2024; https://www.fema.gov/sites/default/files/documents/fema_hma_guide_082024.pdf

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Complete preliminary analysis of data and process.	June 30, 2026
Complete document showing program effectiveness.	September 30, 2026

Overall ECD: September 30, 2026.

List of Addressees

The Honorable Rand Paul, M.D.
Chairman
The Honorable Gary C. Peters
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Sam Graves
Chairman
The Honorable Rick Larsen
Ranking Member
Committee on Transportation and Infrastructure
House of Representatives

GAO Contact Information

For more information, contact: Chris Currie, Director, Homeland Security and Justice, CurrieC@gao.gov, (404) 679-1875.

Sarah Kaczmarek, Managing Director, Public Affairs, KaczmarekS@gao.gov, (202) 512-4800.

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Staff Acknowledgments: Caryn Kuebler (Assistant Director), Claudia Becker (Assistant Director), Hadley Nobles (Analyst-in-Charge), and Emilio Fonseca made key contributions to this report. Marcia Carlsen, Benjamin Crossley, Dominick Dale, Tracey King, Barbara Lancaster, Amanda Miller, Joseph Thompson, Pat Ward, and Janet Temko-Blinder also contributed to this report.

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Endnotes

¹Pub. L. No. 116-284, 134 Stat. 4869 (2021) (codified at 42 U.S.C. § 5135).

²All states, territories, DC, and federally recognized Tribal governments are eligible if they have received a major disaster declaration. 42 U.S.C. § 5135(m)(3). All states, territories, and DC have received a major disaster declaration and are therefore eligible for the RLF program.

³According to FEMA guidance, once an applicant receives notification from FEMA of a potential grant award, the applicant must confirm its intent to contribute no less than 10 percent of the proposed grant to the entity loan fund. The awardee must then deposit into the loan fund an amount equal to not less than 10 percent of the amount of the capitalization grant on or before the date on which the awardee receives the capitalization grant. If the awardee deposits less than 10 percent of the proposed grant amount, FEMA is to reduce the amount of the capitalization grant to an amount that is 10 times that of what the awardee deposited. 42 U.S.C. § 5135(c)(4).

⁴Alabama applied to the program in fiscal year 2024 but was not selected to receive an award. According to FEMA officials, Alabama did not provide adequate information in its application to meet the statutory requirements to implement a revolving loan fund.

⁵Awardees can combine the financial administration of the loan fund with the financial administration of any other revolving fund established by the awardee if FEMA determines that the capitalization grant, entity share, repayments of loans, and interest earned are accounted for separately and the authority to establish assistance priorities and carry out oversight activities remains in the control of the agency responsible for emergency management. 42 U.S.C. § 5135(c)(3).

⁶According to FEMA's 2024 Notice of Funding Opportunity, eligible projects and activities for loans include construction or modification of natural or built infrastructure to increase resilience, building code adoption and enforcement, local zoning and land use planning changes encouraging low-impact development or watershed-level planning, and developing local hazard mitigation plans.

⁷A low-income geographic area is an area that meets one or more of the following criteria: (1) the area has a per capita income of 80 percent or less of the national average; or (2) the area has an unemployment rate that is, for the most recent 24-month period for which data are available, at least 1 percent greater than the national average unemployment rate. 42 U.S.C. §§ 5135(m)(5), 3161(a). According to program documentation, repayment conditions, such as payment amounts, due dates, late fees, and other details need to be explained in each loan agreement. The repayment terms should fit the local government's situation and avoid any undue burden.

⁸Pub. L. No. 117-58, 135 Stat. 429, 1386 (2021).

⁹In March 2024, FEMA provided draft Grant Award Letters and Articles of Agreement to the eight fiscal year 2023 awardees (Washington, DC; Louisiana; Maryland; Michigan; New Jersey; New York; South Carolina; and Virginia). In April 2024, FEMA started disbursing the funding after recipients signed the final Award Letters. In April 2024, Louisiana declined its fiscal year 2023 award.

¹⁰For the purposes of this report and to remain consistent with FEMA officials and awardees we will refer to these sources of information about the RLF program as "guidance."

¹¹An applicant is required to submit an Intended Use Plan with their RLF application. The Intended Use Plan provides information to FEMA, potential loan recipients and other interested parties about the goals of the revolving loan fund, the criteria for the distribution of loans, and the process for the management of the loan fund. In addition, FEMA requires applicants to submit a list of potential projects with their application, which is referred to as the project proposal list.

¹²The terms and conditions include the: award summary, Articles of Agreement, obligating document, Notice of Funding Opportunity, Department of Homeland Security Standard Terms and Conditions, FEMA Standard Terms and Conditions, Grants Management Standard Terms and Conditions, and Environmental Planning and Historic Preservation Terms and Conditions.

¹³The Centers for Disease Control and Prevention defines at-risk groups, or socially vulnerable communities, as a group within the overall population having a higher degree of demographic or socioeconomic vulnerability, rendering them more likely to be adversely affected by disaster. According to the Intergovernmental Panel on Climate Change, vulnerability may also be used to describe areas or communities located in areas of greater risk of climate related disaster events, such as wildfires, flooding, storm surge, or sea level rise. In this report, when we use the term vulnerable communities, we are referring to social vulnerabilities, such as those living in low-income neighborhoods, communities of color, people with disabilities, older adults, those with language barriers, and those living in rural and isolated areas.

¹⁴The Build America, Buy America Act was enacted as part of the Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, §§ 70901-70927, 135 Stat. 429, 1294-1309 (2021). The Build America, Buy America Act generally requires federal agencies, including FEMA, to ensure that no federal financial assistance for infrastructure projects is provided unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States.

¹⁵On October 1, 2024, Office of Management and Budget regulations were amended to provide that federal financial assistance subject to the Build America, Buy America Act includes loans. 2 C.F.R. § 200.1. FEMA updated the FEMA website in December 2024 to state that, for fiscal year 2025 and going forward, the RLF program is subject to the Build America, Buy America Act. However, FEMA issued a one-year general applicability waiver to this requirement for awards issued through January 9, 2026.

¹⁶FEMA, *Hazard Mitigation Assistance Program and Policy Guidance* (Washington, D.C.: July 30, 2024, 2023).

¹⁷GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sep. 10, 2014).

¹⁸FEMA, *2022-2026 FEMA Strategic Plan: Building the FEMA our Nation Needs and Deserves* (Washington, D.C.: Feb. 2, 2023).

¹⁹GAO, *Disaster Resilience Framework: Principles for Analyzing Federal Efforts to Facilitate and Promote Resilience to Natural Disasters*, [GAO-20-100SP](#) (Washington, D.C.: Oct. 23, 2019).

²⁰FEMA reviews applicants' project proposal lists to ensure that awardees' proposed projects comply with statutory requirements outlined in the STORM Act. These statutory limitations include that an awardee cannot: provide a loan equal to or greater than \$5 million to finance a single hazard mitigation project, commit more than 10 percent of a capitalization grant for loans to implement zoning and land use planning changes, commit more than 10

percent of a capitalization grant for loans to perform mitigation planning, or commit more than 5 percent of a capitalization grant for technical assistance to loan recipients. 42 U.S.C. § 5135(f)(1)(B), (f)(4), (f)(6)(B), (f)(7).

²¹An applicant is required to submit an Intended Use Plan with their RLF application. See 42 U.S.C. § 5135(g). The Intended Use Plan provides information to FEMA, potential loan recipients, and other interested parties about the goals of the revolving loan fund, the criteria for the distribution of loans, and the process for the management of the loan fund.

²²To be eligible to receive a RLF program grant, an applicant must have a FEMA-approved State or Tribal Hazard Mitigation Plan by the application deadline and at the time of obligation of the award. 44 C.F.R. part 201. To be awarded a loan, a local government must have an approved hazard mitigation plan. 42 U.S.C. § 5135(f)(1)(A)(iv). FEMA will not require submission of local government plans with the grant application package but may require awardees to provide documentation during audits or grant performance monitoring that this requirement was met by loan recipients.

²³Projects that were initially submitted as part of an applicant's project proposal list need to go through a separate awardee led application process to determine final eligibility. A project that was submitted on the initial project proposal list may be deemed ineligible at a later stage in the process. For example, a project may be deemed ineligible if a community no longer can afford the loan or the project has already begun.

²⁴Not all project types require the submission of an EHP Checklist to FEMA. These include mitigation planning, zoning, and land use planning, building code adoption and enforcement. If a loan is being used for a project as the non-federal cost match for another Hazard Mitigation Assistance grant application, then the Environmental Planning and Historic Preservation review will be done under the other grant award.

²⁵The non-federal cost share is the portion of the costs of federally-assisted projects or programs not paid for by the Federal Government. The authorizing statute for each of FEMA's hazard mitigation assistance grant programs establishes the minimum non-federal cost share for each program. Generally, a federal award cannot be used to meet the non-federal cost share for another federal grant award, unless the program's authorizing statute allows it. 2 C.F.R. § 200.306(b)(5). However, with a few exceptions, this prohibition applies only to grants and cooperative agreement and does not apply to loans. 2 C.F.R. § 200.101(b)(3).

²⁶FEMA's other Hazard Mitigation Assistance grant programs include Hazard Mitigation Grant Program, Hazard Mitigation Grant Program Post Fire, BRIC, and Flood Mitigation Assistance.

²⁷GAO, *Disaster Resilience: FEMA Should Take Additional Steps to Streamline Hazard Mitigation Grants and Assess Program Effects*, [GAO-21-140](#) (Washington, D.C.: Feb. 2, 2021).

²⁸GAO, *Disaster Recovery: Actions Needed to Improve the Federal Approach*, [GAO-23-104956](#) (Washington, D.C.: Nov. 15, 2022).

²⁹42 U.S.C. § 5135(f)(1)(C).

³⁰GAO, *Disaster Assistance: Information on the 2021 Condominium Collapse in Surfside, Florida*, [GAO-24-106558](#) (Washington, D.C.: Feb. 06, 2024).

³¹According to the Notice of Funding Opportunity for fiscal year 2023, the application start date was in February 2023 and the application deadline was April 28, 2023. The 2023 Notice of Funding Opportunity stipulates that applicants must include with their application documentation that they provided the Intended Use Plan for public comment and review and that they provided the public notice of no less than six weeks, prior to submission of an application, inviting project proposals from local governments. See 42 U.S.C. §§ 5135(g)(1), (b)(1)(A).

³²See Office of Management and Budget Memorandum M-21-27, *Evidence-Based Policymaking: Learning Agendas and Annual Evaluation Plans*; Pub. L. No. 115-435, 132 Stat. 5529 (2019).

³³GAO, *Evidence-Based Policymaking: Practices to Help manage and Assess the Results of Federal Efforts*, [GAO-23-105460](#) (Washington D.C.: July 12, 2023).

³⁴42 U.S.C. § 5135(h)(3)(A).