



Program Guidance

**State Assistance Dedicated for Disaster-impacted Local Economies
Revolving Fund**

Version 2

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Section 1: Program

1.1 Background

The Oklahoma legislature established the State Assistance Dedicated for Disaster-impacted Local Economies Revolving Fund (Revolving Fund) to provide Oklahoma government subdivisions with critically needed funding advances to cover their immediate financial liquidity needs following a Presidentially declared emergency or disaster. To aid recovery and reconstruction, the legislature directed the Oklahoma Department of Emergency Management (OEM) to administer the Revolving Fund. The following describes the policies and procedures OEM uses to assess borrower eligibility, approve and disburse funds, collect repayments, and manage the fund.

The Revolving Fund provides funding for eligible Federal Emergency Management Agency (FEMA) grant Subrecipients to pay disaster recovery expenditures eligible for reimbursement under FEMA's Public Assistance (PA) program, Hazard Mitigation Assistance (HMA) program and Fire Management Assistance Grant (FMAG) program. The Revolving Fund is designed to help those Subrecipients who may not have sufficient cash on hand to pay for disaster recovery activities.

Eligible applicants may only use advanced financial liquidity for the following purposes:

(1) Costs allowable for Public Assistance, including emergency work for emergency protective measures and debris removal, and permanent work including repair or replacement of roads and bridges, repair or replacement of water control facilities, repair or replacement of public buildings and contents, repair or replacement of utility lines or infrastructure, and repair and replacement of parks, recreation, and other facilities; and

(2) Costs allowable for Hazard Mitigation Assistance, including the Hazard Mitigation Grant Program (HMGP), Flood Mitigation Assistance (FMA), and Building Resilient Infrastructure and Communities (BRIC).

1.2 FEMA Public Assistance Program

FEMA's PA program is the nation's largest source of disaster recovery funding to assist communities responding to and recovering from major disasters or emergencies. The PA program provides financial assistance during emergency periods and assists with funding for permanently restoring community infrastructure on a cost reimbursement basis.

FEMA processes PA grant funding according to the type of work the Subrecipient undertakes. Eligible work must be required as a result of the declared incident, be located in the designated area, be the legal responsibility of the Subrecipient, and be undertaken at a reasonable cost. Importantly, to ensure eligibility, recovery work must

comply with FEMA and other Federal government rules.¹ Eligible work is classified into the following categories:

Emergency Work	Permanent Work
Category A: Debris removal Category B: Emergency protective measures	Category C: Roads and bridges Category D: Water control facilities Category E: Public buildings and contents Category F: Public utilities Category G: Parks, recreational, and other facilities

After a federal disaster declaration, states, territories, or tribes (collectively, “Recipients”), brief eligible applicants (Subrecipients) on available recovery resources. FEMA obligates funds to successful Subrecipients up to the Federal percentage share paid for by the PA program. Typically, FEMA obligates Subrecipient funding through the Recipient and the Subrecipient submits a Request for Reimbursement (RFR) to drawdown the Federal disaster assistance funding from the Recipient. PA, HMGP and FMAG are typically cost reimbursable programs, which require Subrecipients to fund expenses prior to seeking reimbursement from FEMA. Reimbursable costs must be defined and followed as indicated on the project’s Scope of Work outlined in FEMA’s Project Worksheets (PW). It is paramount to ensure proper supporting documentation such as proof of payment is provided during the RFR submission as the process includes a detailed project review to substantiate costs. In some cases, the Subrecipient can request advance funding to drawdown Federal funding to meet immediate needs.

It is important to note that disaster recovery costs can be considerable and therefore, cause delays due to government subdivisions that may not have sufficient funds on hand to process payments.

1.3 FEMA Hazard Mitigation Assistance Programs

FEMA’s Hazard Mitigation (HM) programs, including Hazard Mitigation Grant Program (HMGP), Flood Mitigation Assistance (FMA), and Building Resilient Infrastructure and Communities (BRIC) provides funds for disaster planning and reconstruction to reduce the risk to people and property from future disasters. The key purpose of these programs is to ensure that the opportunity to take critical mitigation measures is not lost during the recovery and that long-term, cost-effective solutions are considered for future community resiliency.

Like the PA program, eligible recipients include states, territories, and tribes. Subrecipients are typically state-level agencies, tribes, local governments, or other eligible entities that request FEMA HMGP assistance through the recipient. Additionally, activities must also comply with FEMA and other Federal requirements to ensure eligibility.²

¹ As a starting point, subrecipients should become familiar with FEMA’s *Public Assistance Program and Policy Guide* (PAPPG).

² As a starting point, subrecipients should become familiar with FEMA’s *Hazard Mitigation Assistance Program and Policy Guide*.

HMGP, FMA, and BRIC funds are limited and not all projects may be selected. For HM funds, the federal share is typically a not to exceed 75 percent, while the Subrecipient bears the remaining 25 percent. HM programs also have a specific period of performance, typically 36 months from the opening of the application period, where award activity can take place, and costs can be incurred.

1.4 Definitions

The following words and terms, when used in this guidance, shall have the following meaning unless the context clearly indicates otherwise:

"Declared county" means a county in the State of Oklahoma that is subject to an ongoing federally declared disaster or emergency.

"Eligible applicant" means all governmental subdivisions that qualify for aid under FEMA's Public Assistance Program that apply for assistance under the "State Assistance Dedicated for Disaster-impacted Local Economies Revolving Fund.

"Federally declared emergency" means the President's declaration of an emergency for any occasion or instance when the President determines federal assistance is needed. Emergency declarations supplement state, local, and tribal government efforts in providing emergency services, such as the protection of lives, property, public health, and safety, or to lessen or avert the threat of a catastrophe in any part of the United States.

"Federally declared disaster" means the President's declaration of a major disaster for events such as tornadoes, straight-line winds, severe storms, floods, snowstorms, ice storms, wildfires, or earthquakes that the President determines has caused damage beyond the combined capabilities of state, local, and tribal governments to respond. A major disaster declaration provides a wide range of federal assistance programs for eligible applicants including funds for both emergency and permanent work.

"Federal Emergency Management Agency (FEMA) Hazard Mitigation Assistance" means the United States government provision of federal grants at a 75 percent federal and 25 percent non-federal cost share to eligible applicants for actions taken to prevent or reduce long term risk to life and property from natural hazards.

"Federal Emergency Management Agency (FEMA) Public Assistance" means the United States government provision of federal project funding at a 75 percent federal and 25 percent non-federal cost share to eligible applicants so communities can quickly respond to and recover from major disasters or emergencies.

"Short-Term" for the Revolving Fund means less than 180 days. However, the length of the advance is situational dependent.

SECTION 2: THE REVOLVING FUND

2.1 Revolving Fund Overview

To address potential complications with liquidity, on May 16, 2024, the State of Oklahoma established the State Assistance Dedicated for Disaster-impacted Local Economies Revolving Fund, through enactment of H.B. 2912 and H.B. 2913, that provides short-term financing to Oklahoma government subdivisions. Government subdivisions are in turn, responsible for returning the advances through FEMA-funded reimbursements, insurance proceeds, or through other available sources³ to pay for the Subrecipient's Cost Share.

Eligible applicants may only use advanced financial liquidity for the following purposes:

(1) Costs allowable for Public Assistance, including emergency work for emergency protective measures and debris removal, and permanent work including repair or replacement of roads and bridges, repair or replacement of water control facilities, repair or replacement of public buildings and contents, repair or replacement of utility lines or infrastructure, and repair and replacement of parks, recreation, and other facilities; and

(2) Costs allowable for Hazard Mitigation Assistance, including the Hazard Mitigation Grant Program (HMGP), Flood Mitigation Assistance (FMA), and Building Resilient Infrastructure and Communities (BRIC).

2.2 Eligibility Criteria

The Revolving Fund is available to governmental subdivisions with PA, HM and FMAG projects that have:

- Eligible damage following a Presidentially declared emergencies or major disaster or an approved HMGP project,
- Obligated FEMA PA Project Worksheets, approved HMGP Project, or PA Project Worksheets in formulation that have been submitted to FEMA but are not yet approved due to lack project scoping documentation, and
- Included confirmation from Subrecipients that certify that the non-federal cost share requirements will be obtained from other funding sources. Other sources of funds may include, but are not limited to, the Subrecipients own funds, OEM's allocated budget, and other federally funded programs such as the U.S. Housing and Urban Development Community Development Block Grant-Disaster Recovery (HUD CDBG-DR) program.

³ Other sources of funds may include, but are not limited to, the Subrecipient's own capital, OEM allocated budget funding, and federally funded programs such as CDBG-DR.

2.3 Application Limits

As the Revolving Fund provides short-term financing to Oklahoma government subdivisions, the advance amount and term of advance will be dependent on the status of the underlying PA, HM and FMAG projects, expected approval and obligation, and cash flow of those projects. While the Subrecipient can only apply for one advance per declaration, the advance can be applicable to multiple projects and depending on the Subrecipient needs. A Subrecipient can apply for additional funds for that declaration if funds are available. The justification for the advance amount and term of advance should be addressed in the applicant's budget and advance application.

A complete application for advanced financial liquidity will demonstrate a basis for financial need, a proposed eligible use of the advance funding, copies of the pertinent requests made for federal funding through the PA, HM or FMAG programs, and any other information requested by OEM.

OEM maintains the discretion to deny any application for advanced financial liquidity which is deemed incomplete.

Funding requests per eligible applicant must not surpass the federal cost share estimated for the eligible PA, HM or FMAG projects which the applicant applied for.

Funding requests per eligible applicant cannot surpass \$5 million per qualifying event without further justification. The additional justification should address financial need, project(s) complexity, and size of the project(s).

Approval of any application or additional funding requests shall remain dependent on the availability of sufficient funds in the Revolving Fund at the time an application is received.

2.4 Application Process

2.4.1 Submission

Eligible Subrecipients will complete and submit the attached Advanced Funding Application and Repayment Agreement along with documentation required by OEM in the attached Application Checklist. Subrecipients should transmit this application to OEM via CAF@oem.ok.gov.

As part of the application, Subrecipients will be required to submit documentation consisting of:

- The completed Advanced Funding Application and Repayment Agreement
- (see attached), which includes information about the Subrecipient, the obligated FEMA Project Worksheet, and planned repayment schedule;
- Information supporting the Subrecipient's financial constraints that resulted in the need to receive advance funding rather than paying the invoices and waiting for FEMA's cost reimbursement through the RFR process;

- A Project Spend Plan, estimating in detail the project’s scope of work, timeline, and costs;
- Any additional advance funding or other funding the Subrecipient has received in connection with the project; and
- If the Subrecipient is requesting more than \$1 million in funds for a capital project, written justification must be provided and include:
 - Description of the harm or need to be addressed,
 - Explanation of why a capital expenditure is appropriate, and
 - Comparison of a proposed capital project against at least two alternative projects.

2.4.2 General Information

The Subrecipient should be prepared to provide identifying information including the legal entity name, SAM ID, address, primary and secondary contact information, underlying PA, HM and/or FMAG project and narrative, and budget, etc.

2.4.3 Project Information

The Subrecipient will need to provide information including project name, project descriptions, information about the service area, project implementation details, and information on the project timeline.

2.4.4 Budget Information

Your organization must explain how the allocated funds will be used and provide details that explain and justify all associated costs. Costs must be within the bounds of allowable costs and comply with 2 CFR Part 200 for administrative requirements, cost principles, and audit requirements.

2.4.5 Application Checklist

Advanced Funding Application and Repayment Agreement are located [here](#). A sample application is included in Appendix 2. The following checklist are required information from the Subrecipient in order to assist with submitting the Advanced Funding Application and Repayment Agreement:

- ✓ Advanced Funding Application and Repayment Agreement
- ✓ Project Description
- ✓ Underlying PA, HMGP or FMAG project
- ✓ Budget Narrative
- ✓ Total Project Budget
- ✓ Repayment Schedule

2.4.6 Evaluation

After the Subrecipient submits the application, OEM will acknowledge receipt. OEM will perform the initial review, ensure completeness and evaluate the risks associated with the PA, HM or FMAG project. This initial review will comprise of two components:

1. Eligibility and Completeness – An OEM application reviewer will verify that the Subrecipient is an eligible FEMA Subrecipient, an Oklahoma government subdivision, and that the application package is complete in accordance with the application guidance.
2. Risk Assessment and Mitigation – A risk assessment specialist will assess the project based on OEM’s risk assessment, which considers factors including:
 - a. Subaward amount,
 - b. Subrecipient financial statements,
 - c. Most current single audit results,
 - d. Plan completeness and viability, and
 - e. Qualitative factors, such as project complexity, duration, and Subrecipient responsiveness and accuracy.

Once complete, OEM will notify the subrecipient with a formal letter indicating approval or denial of funding.

Based on financial limitations in the Revolving Fund, OEM will prioritize funding based upon, but not limited to, the following factors:

- Availability of Revolving Funds;
- Alignment of projects with OEM’s recovery objectives;
- Subrecipient financial needs;
- Public need and/or benefit, and
- Risk exposure.

2.4.7 Scoring of Application

OEM will score applications based on the following criteria:

Justification of Applicant Need	30 points
Completeness of Application	10 points
Detail of Overall Budget/Repayment Narrative	20 points
Public Need/Alignment with Recovery Objectives	20 points
Risk Assessment	20 points
Total	100 points

2.4.8 Disbursement of Funds

Subrecipients who are awarded funds will be required to sign a Revolving Fund Agreement, which outlines the terms and conditions of the advance, identifies the Subrecipient’s specific point of contact responsible for managing and reporting on the funding activity, and provisions holding the Subrecipient liable for repayment of the funds.

The agreement will also require the Subrecipient to maintain the funding in a segregated account to aid for monitoring and compliance with the program's reporting requirements.

2.5 Risk Mitigation and Controls

The Revolving Fund carries inherent risks including the full and timely recoument of advances are required but not certain. Nevertheless, the risks can be mitigated through strict controls and diligent oversight of the Subrecipient by OEM.

Upon approval of an application but prior to any distribution of advancement funds, approved recipients will be required to follow the below guidelines:

1. Sign the Advance Agreement with the OEM,
2. Must agree to meet and remain compliant with all federal guidelines and requirements set for receiving funding through FEMA Public Assistance, FEMA Hazard Mitigation Assistance, or FEMA Fire Management Assistance.
3. Must agree to pay back the full advanced amount, even if the PA, HM or FMAG project is not funded or deobligated by FEMA, and
4. Must agree to adhere to all federal procurement requirements.

The following sections outline the risks and the corresponding mitigation measures

2.5.1 Project Completeness and Compliance Risk

The Subrecipient is responsible for completing the FEMA-approved project and meeting the compliance requirements of the grant under the applicable federal program (FEMA PA, HMA, FMAG or HUD CDBG-DR programs). Failure to meet program requirements or maintain project eligibility could result in insufficient federal reimbursement to repay the Revolving Fund. Moreover, it is important for the Subrecipients to address the risk of questioned costs or other causes of deobligation that can result from failure to comply with federal requirements. Further, the Subrecipient remains responsible for repaying the revolving fund timely regardless of the amounts it receives, or does not receive, from FEMA or other sources.

If the Subrecipient receives a written notification, via a formal letter, from OEM for a questioned cost, a denial of project, or a deobligation of funds, the Subrecipient will have thirty (30) days to either repay the funds or present a remediation action plan to OEM which may include:

1. The submission of a new PW project that meets the eligibility criteria and requests a transfer of the funds from the old project. In such cases, the Subrecipient's new project will be subject to the application, evaluation, and approval process described above,
2. An acknowledgement and acceptance by the Subrecipient to repay the funding, or
3. Inform OEM that the Subrecipient intends to appeal the denied project. The Subrecipient would then be (1) required to repay the funds if FEMA final

determination is a denial or (2) if the appeal or arbitration is approved, continue through the revolving fund process.

2.5.2 FEMA Reimbursement Risk

The Revolving Fund eligibility criteria restricts funding to those projects that have been obligated by FEMA or submitted to FEMA and therefore are eligible to receive reimbursement through PA, HM or FMAG. Even after a project is obligated, it can be deobligated by FEMA for noncompliance with the PA, HM or FMAG program terms and conditions or other federal program requirements, such as environmental or historic preservation; duplication of benefits, including insurance proceeds; or evidence of fraud.

To mitigate risk, the Revolving Fund will implement several measures:

1. Funding will be limited to \$5 million per qualifying event without further justification. As OEM determines is necessary, other limits may be implemented.
2. OEM will dedicate a team of designees to provide information to Subrecipients on PA, HM and FMAG program operations, and related regulations, such as the Stafford Act, implementing Federal regulations, and FEMA program policy.
3. Subrecipients agree to OEM monitoring the advance financial liquidity and underlying project (s), including through FEMA's Grant Portal, FEMA Go, and direct communication with the Subrecipient. This will enable OEM to review all communications related to the funding and the affiliated project, monitoring deadlines, timelines, and other program requirements. This will also allow for monitoring the fund balance, expenditures, and status of RFRs.
4. OEM will validate the required components of the RFRs pursuant to OEM procedures. This requirement will ensure that the RFRs are timely and complete, reducing the risk of payment rejection or FEMA deobligation.
5. OEM will maintain a standard file of reports and supporting documentation required prior to the disbursement of an RFR. OEM will coordinate with the subrecipient on the repayment process once an RFR is approved and is related to a funding advance. Upon receipt of the RFR funds from OEM, the Subrecipient shall promptly repay the advance pursuant to the terms and conditions stipulated in the Revolving Fund Agreement.

Subrecipients will be required to be responsive, cooperative, and compliant with OEM's monitoring process.

2.5.3 Concentration Risk

The Revolving Fund will implement a \$5 million limit per qualifying event without further justification for each Subrecipient to reduce the fund's exposure to any single government subdivision or project. Subrecipients will be limited to one (1) funding advance per event at any given time. Subrecipients will not be eligible for additional funding until the previous funding is repaid.

2.6 Repayment and Recoupment

2.6.1 Repayment

The Subrecipient must repay the funding advance in accordance with criteria addressed in this guide and Revolving Fund Agreement. The Subrecipient may (1) repay funding at any time by a direct electronic transfer to the bank account determined by OEM, (2) repay the funds via a mailed check to OEM's Finance Department, or (3) coordination with the Finance Department to have the funds offset with an expected disbursement of funds in the same disaster assistance program. If such advances are repaid in full, the repayment terms below will not apply.

The Revolving Fund repayment terms are as follows:

1. The term of the funding advance shall be defined in the Subrecipients application based on underlying project status or estimated status and financial need. Subrecipients may request extensions on the original Advanced Funding Application and Repayment Agreement based on financial need and continued progress in completing the underlying project.
2. The Subrecipient shall submit its first RFR to OEM for reimbursement in accordance with PA, HMA and FMAG guidelines.
3. After the first RFR, the Subrecipient will continue to submit RFR's to OEM every ninety (90) days to ensure repayment cashflow and the timely replenishment of the funding advance.
4. When the Subrecipient receives a project payment from any source, including OEM or insurance proceeds, the Subrecipient will have thirty (30) business days to repay the remaining funding balance in full or the total amount of the project payment received, if less than the remaining balance.
5. In cases where a portion of the funding advance remains unspent or unallocated upon completion of the applicable funding purpose, the Subrecipient must return the unused funds within thirty (30) calendar days of submitting the notification.
6. The subrecipient is required to keep the funds in a non-interest-bearing account. Should any interest be earned, the subrecipient must include the full amount of interest earned with the repayment, as stated in the Revolving Fund Agreement.

As described in the Reporting and Compliance Section of this guide, the Subrecipient must track and report the repayments made to the Revolving Fund in the quarterly report submission to the OEM.

2.6.2 Recoupment

The Subrecipient is subject to the recoupment of any outstanding balances for one or more of the following reasons:

1. Failure to complete and/or noncompliance of the project;
2. Deobligation or questioned costs of the project;
3. The PA, HM or FMAG project(s) were not approved by FEMA;
4. Failure to repay the funding advance within thirty (30) business days of the receipt of reimbursement from OEM; and

5. Failure to repay the advance within thirty (30) business days of the receipt of insurance proceeds, or other any other sources.

OEM is responsible for assessing the circumstances and conditions prior to notifying the Subrecipient of its intention to initiate a recoupment of the funding advance. Before the recoupment actions take place, the Subrecipient will have thirty (30) business days after receiving written notification from OEM to present a remediation action plan to OEM for the repayment of the funding advance. In any case, if the remedial plan is not submitted by the Subrecipient or not approved by OEM, the Subrecipient will be subject to:

1. Immediate repayment for the full amount of the questioned cost or the total outstanding advances, as applicable, within thirty (30) days from the determination. OEM requires the repayment to be sent as (1) a direct electronic transfer to the bank account indicated on the agreement, (2) a mailed check to OEM's Finance Department, or (3) offset with other similar program funds.
2. If the Subrecipient fails to repay within the 30 days for the written notification of the project denial or final disbursement of funds, the following corrective measures shall be taken:
 - a. OEM will notify the Subrecipient in writing of any suspension or reduction of planned funding advances for future declarations. This action will be in place until the outstanding balance is paid in full.
 - b. OEM will notify the Subrecipient that they have fifteen (15) business days to repay the funds prior to the recoupment process being put into effect.
3. Fifteen (15) business days after the written notification from OEM after receipt of this notification, the amounts owed to the Revolving Fund by the Subrecipient will be a withheld and/or offset of any debt or account OEM owes to the Subrecipient, including:
 - a. State share for Public Assistance
 - b. Other Public Assistance project worksheets
 - c. Other Disaster Assistance grant funding

2.7 Reporting and Compliance

Under the Revolving Fund terms and conditions, Subrecipients will be required to submit a report to OEM on the 10th business day of each January, April, July, and October for the prior quarter's activity related to all Revolving Fund advances received by the Subrecipient (10th business day of the month following quarter end) .If the 10th business day falls on a holiday or weekend, the report is due the following business day. These reports will comprise of an update of the actual expenditures made on the project, RFR submission dates or expected submission dates, amounts and disbursements received, and a status of the submitted Project Spend Plan. These reports will be due every quarter until final repayment of the advance is completed. Reports can be sent electronically to the Finance group (RevolvingFund@OEM.OK.gov).

With each quarterly progress report, the Subrecipient must certify that the advance

funding was used for the purposes outlined in the original application and confirm that no additional funds have been borrowed in connection with the project. Subrecipients will be required to retain evidence of project expenses for the same time period as required by the PA, HM or FMAG programs. Furthermore, by accepting the advance financial liquidity, the Subrecipient will be required to cooperate in any audit proceedings requested by OEM or other governing entities responsible for the compliant use of funds.

2.8 Closeout

Upon completion of repayment of the total funding advance, OEM will confirm repayment completion, certify, and document the closure of the funding advance via letter.

APPENDIX

A.1 Subrecipient Application, Budget, and Repayment Schedule

A.2 Monthly Reporting Template (Sample)

A.3 Revolving Fund Grant Agreement (Sample)