



STATE OF CALIFORNIA  
CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES  
OFFICE OF THE DIRECTOR, POLICY AND ADMINISTRATION  
DISASTER FINANCIAL RECOVERY AND RECONCILIATION

## CATEGORY Z MANAGEMENT COSTS FREQUENTLY ASKED QUESTIONS

### What is FEMA's Category Z?

Category Z is management costs for Public Assistance (PA) projects submitted to and approved by the Federal Emergency Management Agency (FEMA). FEMA defines Public Assistance PA management costs as including any of the following when associated with the PA portion of a major disaster or emergency:

- Indirect costs
- Direct administrative costs
- Other administrative expenses associated with a specific project under a major disaster or emergency

If you would like to apply for a Category Z Management Cost program for disaster events declared prior to October 5, 2018, please contact DFRR team at [disastercostrecovery@caloes.ca.gov](mailto:disastercostrecovery@caloes.ca.gov).

You can find more information on the FEMA PA Management Costs Interim Policy [here](#).

### How much funding can be allocated for Category Z Management Costs?

State Agencies are eligible for up to **5 percent** of their actual cost of the total FEMA approved award amount. This funding is provided at 100 percent federal share, with no state cost share required. State Agencies must submit a Category Z project worksheet (PW) to receive these funds.

The total award amount, for the purposes of calculating the management cost contribution, is the actual eligible PA project costs (Federal and non-Federal share) after insurance and any other reductions. Category B Donated Resource Project Worksheets (PW) are not included in the calculation as they are not project awards.

### How to apply for a Category Z Management Costs?

State Agencies may only request the initial Category Z PW once other PA projects have been obligated. All Category Z PWs will be reconciled and reimbursed based on actual costs not to exceed the maximum percentage allowed.

- If final application costs are not known, a State Agency may submit a request for a Category Z PW. FEMA staff formulate a Category Z PW for up to 5 percent of the Total Award Amount obligated for a State Agency at the time of its request. FEMA may process amendments up to once a quarter for up to 5 percent of the Total Award Amount obligated for the Sub-recipient at the time of its amendment request.
- If all final actual management costs are known at the time the Sub-recipient requests a Category Z PW, the Sub-recipient should submit its claim for all eligible

costs incurred and FEMA will obligate the Category Z PW based on the actual eligible costs up to the 5 percent maximum. If additional project costs are obligated or de-obligated, FEMA will adjust the 5 percent maximum and the actual eligible costs as appropriate.

State Agencies must notify FEMA of their management cost option selection.

### **What activities/expenditures are eligible for a Category Z Management Costs PW?**

Activities eligible as management costs include those related to developing eligible PA projects and receiving reimbursement. These activities may include, but are not limited to:

- Preliminary Damage Assessments
- Meetings regarding the PA Program or overall PA damage claim
- Organizing PA damage sites into logical groups
- Preparing correspondence
- Site inspections
- Travel expenses
- Developing the detailed site-specific damage description
- Evaluating Section 406 hazard mitigation measures
- Preparing Small and Large Projects
- Reviewing PWs
- Collecting copying, filing, or submitting documents to support a claim
- Requesting disbursement of PA funds
- Training

Note: both regular time and overtime are eligible management costs.

### **What are deadlines for submitting a Category Z project request?**

A State Agency may claim management costs incurred up to whichever of the following occurs first:

1. 180 days after the Sub-recipient completes its last non-management cost PA project; or
2. 180 days after the latest performance period of the Sub-recipient's non-management cost PA project; or
3. Two years from the date of an Emergency Declaration; or
4. Eight years from the date of the Major Disaster Declaration.

### **What are the requirements to substantiate a request for federal reimbursement for the management costs?**

Actual cost documentation must include information necessary to demonstrate eligibility of costs and activities claimed as management costs, including but not limited to payroll

data, procurement procedures, contracts, invoices, and an explanation of the activities performed.

Note: actual cost documentation will be required for Closeout.

If you have any questions and/or would like to discuss further, please contact DFRR at [disastercostrecovery@caloes.ca.gov](mailto:disastercostrecovery@caloes.ca.gov).

### **How to drawdown Category Z funds from Cal OES?**

Once the project(s) is obligated by FEMA, the Financial Processing Division (FPD) will receive an obligation notice and enter your project into the Cal OES database. You will be notified of the project obligation via email which will include a Notification of Obligation letter and a Cal OES 132 Reimbursement Request for Large Project Expenditures. Submission of the Cal OES 132 is required to drawdown on all Category Z project obligations. Once the Cal OES 132 is received, FPD will process the payment.

If you have any questions and/or would like to know more on the disbursement process, please contact FPD at [RecoveryPayments@CalOES.CA.gov](mailto:RecoveryPayments@CalOES.CA.gov).