

STORM Act Notice of Funding Opportunity (NOFO) Quick Reference Guide

Purpose of this document:

On January 1, 2021, [Safeguarding Tomorrow through Ongoing Risk Mitigation](#) (STORM) Act authorized the Federal Emergency Management Agency (FEMA) to establish hazard mitigation revolving loan funds to provide needed and sustainable funding for hazard mitigation and resilience projects. This document intends to provide a quick reference guide to information needed to access the [Notice of Funding Opportunity \(NOFO\)](#) offering up to \$50 million to states in seed funding for this program, with a minimum award of \$5 million and no maximum award (10 awards anticipated).

Important Dates/Steps:

Step	Date	Notes
NOFO Announced	February 1, 2023	
Eligible Entity* Solicits Projects: Eligible entities should immediately reach out to local municipalities and stakeholders for projects that could be considered for funding.	Now through March 17, 2023	According to the STORM Act, a loan fund must be administered by the agency for emergency management. However, FEMA is allowing each state to define “administrated” and can be flexibly interpreted to include joint decision-making with other state entities, such as natural resource agencies or Chief Resilience Officer. Financial management can also occur outside of emergency management.
IUP and Projects Posted for Public Comment	March 17, 2023 Public notice is required to be posted 6 weeks before application submittal	<u>Intended Use Plan:</u> • Goals for fund including programmatic and financial administration. • Interest rate (statutory maximum rate of 1%), amortization schedule (20–30-year terms), and repayment timeline (one year deferred repayment start) and sources. • Criteria for loan distribution. • Plan to meet Justice40 goals to flow funds to underserved communities. The Project Proposal List is a list of potential projects, applicants, and amounts that may be awarded. Both the IUPs and Project Lists are produced once per year, can be simple, and can be amended with more information post-award.

Submit Application for FEMA Review	April 28, 2023	An entity must have a FEMA-approved State or Tribal Hazard Mitigation Plan. Additionally, documentation that public comment was offered 6 weeks prior to submission. Helpful overview of requirements and additional templates here .
Eligible Entity Receives Capitalization Grant Award	TBD	
Eligibility Entity identifies 10% state match	Upon Award	State match must be cash in the bank. Any awarded federal funding is then considered state dollars and can be used as match for other federal programs.
Make Initial Loan	24 months after award	Go build great resilience projects!

SUMMARY OF KEY CONSIDERATIONS:

1. Prioritize natural infrastructure over “grey” infrastructure.
2. Emphasize investments in under-resourced communities.
3. Ensure coordination across relevant agencies.
4. Explore state infrastructure banks or financial authorities as centralized entity.
5. Leverage co-funding opportunities to the maximum extent possible.
6. Ensure that STORM funds can be used for project development and technical assistance.
7. Reduce administrative burden and requirements on financing structures.
8. Balance “free money” with loans to ensure it operates in perpetuity.
9. Offer a full range of flexible financing options.
10. Ensure maximum flexibility for the types of natural infrastructure projects that can be funded.
11. Require that the benefits of natural infrastructure be measured and reported.
12. Identify potential repayment streams.

For questions or additional information, please feel free to contact:

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DETAILED CONSIDERATIONS

1. **Prioritize natural infrastructure over “grey” infrastructure.**

The term “natural infrastructure” refers to naturally occurring landscape features and/or nature-based solutions that promote, use, restore or emulate natural ecological processes. Many states continue to primarily provide direct loans to municipalities for traditional projects, rather than nature-based solutions- which provide multiple co-benefits and can be more cost effective than traditional grey infrastructure.

2. **Emphasize investments in under-resourced communities.**

Through the Biden Administration’s Justice40 initiative, enormous portions of the Inflation Reduction Act, IIJA (which includes STORM Act), and American Rescue Plan are focused on bringing critical resources to communities that have been overburdened by legacy pollution and environmental hazards. By focusing RLF investments in under-resourced communities, states will be able to address historic injustices as well as make themselves more competitive for federal co-funding opportunities.

3. **Ensure coordination across relevant agencies.** The STORM Act language states that the funds shall “be administered by the agency responsible for emergency management.” However, other key positions, such as the Chief Resilience Officer, and agencies, such as the agency responsible for natural resources, should have a decision-making role in any state revolving loan fund.

4. **Explore state infrastructure banks or financial authorities as centralized entity.** Explore use of a state infrastructure bank as a centralized entity to manage these types of funds for other state agencies. This could include consolidating with states’ existing SRF capabilities. The most innovative and productive SRF programs are typically led by their state environmental finance authority – which have broad authority to make investments across a range of sectors. At a minimum, rather than reinvent the wheel, states should leverage existing capabilities, expertise and resources to deploy RLF programs.

5. **Leverage co-funding opportunities to the maximum extent possible**

If STORM could tap into the existing environmental finance expertise of SRFs, it could allow for co-funding and leveraging of larger projects. States should make co-funding as flexible as possible – for example, omitting restrictive match requirements – and avoid any onerous procurement requirements. Revolving loan should accept funding from co-funding programs such as the Inflation Reduction Act and Bipartisan Infrastructure Law or the Building Resilient Infrastructure and Communities program, Flood Mitigation Assistance program, Hazard Mitigation Grant program, HUD’s Community Development Block Grant Mitigation program, and the USACE Flood Risk Management Program, and others.

6. **Ensure that RLF funds can be used for project development and technical assistance.** Project development and technical assistance is the work required to identify a potential project, bring groups together for collaboration, assist with identifying and developing reliable repayment streams, and secure funding. Most SRF programs are designed to receive and evaluate fully baked applications. This can lead to SRF programs emphasizing “grey” infrastructure. Making project development funds

available would be a small investment that could bring a strong return on investment by bringing more strategic, fully baked projects to the revolving fund.

7. Reduce administrative burden and requirements on financing structures.

All possible efforts should be made to avoid overly burdensome administrative requirements that depress participation in the RLF program. For example, language requiring the legislature to approve all spending on a specific project level could create extra red tape depending on how it is enforced. Similarly, requiring specific loan terms (rate, term length, loan forgiveness requirements, etc.) may limit participation in the program and hurt the health of the RLF program.

8. Balance “free money” with loans.

A sustainable RLF program must carefully balance a mix of both loans and “free money” that is disbursed without expectation of repayment. If an RLF program commits too much of its budget to non-repayment grants it can negatively impact the overall health and sustainability of the fund.

9. Offer a full range of flexible financing options.

A successful RLF program should leverage the widest possible range of financial tools to provide flexibility and meet a variety of needs. This could include traditional debt financing, buy-protect-sell, linked deposits, loan-loss reserve or loan guarantees, pay-for-success, and more. A broad toolkit of financing options will help ensure that the RLF program can meet the unique needs of any project it seeks to prioritize.

10. Ensure maximum flexibility for the types of natural infrastructure projects that can be funded.

There is a repeated, consistent sentiment among state SRF administrators and applicants that these programs work best when they allow maximum flexibility. To the degree that STORM can encourage state flexibility to better drive the ‘right solutions at the right time for the right place’ and minimize one size fits all solutions, the better.

11. Require that the benefits of natural infrastructure be measured and reported.

Typically, municipalities make project investments to maintain compliance with regulatory requirements or out of necessity, but quantifying upstream and downstream benefits and communicating anticipated savings to municipalities can increase investments, particularly if the benefit protects against downstream flooding of existing infrastructure.

12. Identify potential repayment streams.

A consistent challenge to a revolving loan fund for nonpoint source projects is identification of repayment mechanisms, so efforts should be made to identify opportunities for stacking multiple repayment sources, such as grants, nutrient trading, carbon credits, or sustainable forestry income.