



Individuals and Households Program Assistance for Occupational Tools

August 6, 2019

Fiscal Year 2019 Report to Congress



**Homeland
Security**

Federal Emergency Management Agency

Foreword from the Acting Administrator

August 6, 2019

I am pleased to present the following report, “Individuals and Households Program Assistance for Occupational Tools,” which has been prepared by the Federal Emergency Management Agency (FEMA).

This document has been compiled pursuant to language set forth in Senate Report 115-283, which accompanies the Fiscal Year 2019 Department of Homeland Security Appropriations Act (P.L. 116-6). This report provides a review of FEMA’s Individual Assistance policy for the delivery of financial assistance to self-employed applicants for the loss of occupational tools incurred as the result of a major disaster or emergency.



Pursuant to congressional requirements, this report is being provided to the following Members of Congress:

The Honorable Lucille Roybal-Allard
Chairwoman, House Appropriations Subcommittee on Homeland Security

The Honorable Chuck Fleischmann
Ranking Member, House Appropriations Subcommittee on Homeland Security

The Honorable Shelley Moore Capito
Chairman, Senate Appropriations Subcommittee on Homeland Security

The Honorable Jon Tester
Ranking Member, Senate Appropriations Subcommittee on Homeland Security

Inquires relating to this report may be directed to FEMA’s Congressional Affairs Division at (202) 646-4500.

Sincerely,

A handwritten signature in blue ink, which appears to read "PTG".

Peter T. Gaynor
Acting Administrator
Federal Emergency Management Agency



Individuals and Households Program Assistance for Occupational Tools

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I. Legislative Requirement

Senate Report 115-283, which accompanies the Fiscal Year (FY) 2019 Department of Homeland Security (DHS) Appropriations Act (P.L. 116-6), includes the following requirement:

FEMA shall review its reimbursement policy, including in relation to Small Business Loans, for expenses incurred as a result of a major disaster or emergency by self-employed or freelance workers for tool repair or replacement, specialized or protective clothing, or other required equipment, for fairness in relation to other reimbursement policies. The review shall include a cost estimate that assumes such reimbursements were eligible for disasters that have occurred in the last 3 years. The Committee expects a report on the review not later than 90 days after the date of enactment of this act.

II. Background

Senate Report 115-283 requires that the Federal Emergency Management Agency (FEMA) submit a report about the review of its reimbursement policy for expenses incurred by self-employed or freelance workers as a result of a major disaster and emergency. The report also must include a cost estimate for providing such assistance within the last 3 years.

Section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended (Stafford Act), authorizes financial and direct assistance to eligible individuals and households that, as a direct result of a major disaster or emergency, have uninsured or underinsured necessary expenses and serious needs, and are unable to meet such expenses or needs through other means.¹ As specified in its implementing regulations for the Individuals and Households Program (IHP), which includes Other Needs Assistance (ONA), FEMA is authorized to provide financial assistance to individuals and households that have disaster-related necessary expenses or serious needs.² In accordance with 44 C.F.R. §206.113(b)(9), FEMA does not provide assistance to self-employed and freelance workers³ for necessary expenses and serious needs related to business losses, including tool repair or replacement, specialized or protective clothing, or other required equipment.

To account for wages lost because of the inability to continue normal business operations and to include tool or equipment loss, self-employed individuals may apply for income replacement through FEMA's Disaster Unemployment Assistance (DUA) program. To account for tool or equipment loss, the ONA provision of the IHP provides to eligible applicants assistance for tools, specialized or protective clothing, and equipment replacement or repair when verified by an employer as a condition of employment, not including self-employment.⁴

FEMA refers applicants who have experienced business-related personal property loss and have reported their household's primary source of income as being self-employment to the U.S. Small Business Administration (SBA). When the President approves major disaster declarations, SBA automatically makes available its disaster loan programs to qualifying businesses and private nonprofit organizations, including self-employed workers who have suffered damages.⁵ SBA provides long-term, low-interest disaster loans to self-employed individuals for uninsured or underinsured business-related losses sustained during a disaster.⁶ Pending eligibility, SBA may provide disaster loans of up to \$2 million to self-employed workers for the repair or replacement of damaged equipment, real estate, inventory, and fixtures.⁷ Self-employed individuals also may

¹ Stafford Act, P.L. 93-288, § 408, 42 U.S.C. § 5174.

² 44 C.F.R. § 206.119.

³ For the purpose of this report, self-employed workers and freelance workers are both referred to as self-employed, as FEMA does not differentiate between the two terms.

⁴ 44 C.F.R. § 206.119(c)(1)(iii).

⁵ The Small Business Act § 7(b)(1), 15 U.S.C. § 636(b)(1).

⁶ <https://disasterloan.sba.gov/ela/Information/FactSheetBusinesses>.

⁷ <https://disasterloan.sba.gov/ela/Information/FactSheetBusinesses>.

recover personal property losses by securing an SBA nonbusiness-related disaster loan, which has a maximum award of \$40,000.⁸

FEMA refers applicants, including those not self-employed, to SBA for loan consideration if the applicant’s income meets SBA minimum guidelines. If an applicant is denied an SBA loan, or if the loan received was insufficient to meet the applicant’s disaster expenses, he/she may be referred back to FEMA to determine his/her eligibility for ONA.

ONA provides Personal Property Assistance, among other types of assistance, to individuals and households for disaster-related necessary expenses and serious needs not covered by insurance or provided by any other source.⁹ FEMA may provide ONA Personal Property Assistance to eligible applicants only after the applicant has been denied an SBA disaster loan in order to ensure that ONA and SBA loans do not duplicate benefits for the same type of assistance.¹⁰ However, even if the applicant is denied an SBA disaster loan, FEMA does not provide assistance to applicants for business losses.

Figure 1 illustrates FEMA’s process for coordinating disaster loan and ONA eligibility with SBA.

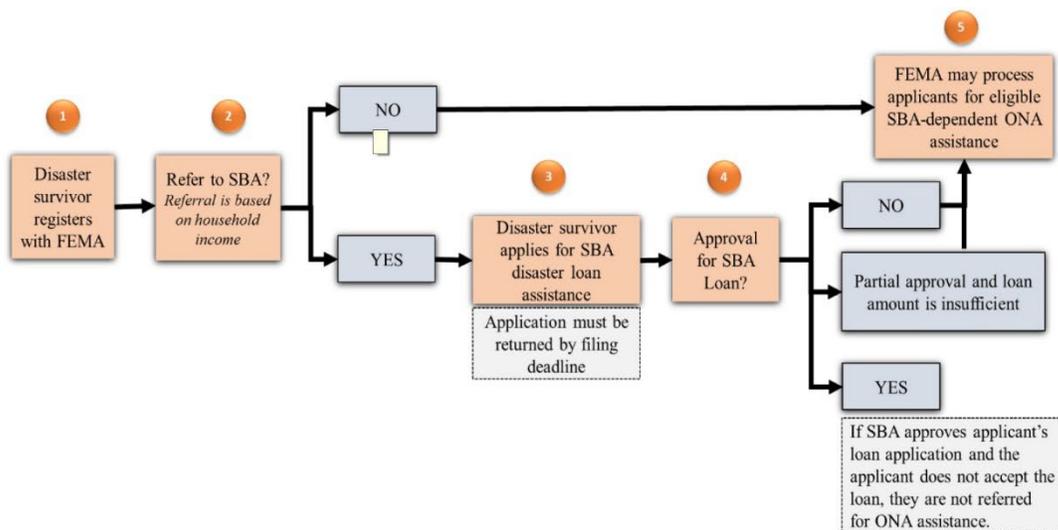


Figure 1. FEMA coordinates with SBA on the disaster loan application process and ONA eligibility determinations.

Under the Stafford Act, the federal cost share for ONA grants is 75 percent, and the remaining 25 percent nonfederal share is the responsibility of the state, territorial, or tribal government.¹¹ FEMA, in coordination with the state, predetermines ONA-eligible items and award amounts.

⁸ <https://disasterloan.sba.gov/ela/Information/HomePersonalPropertyLoans>.

⁹ Stafford Act § 408(e)(2), 42 U.S.C. § 5174(e)(2); 44 C.F.R. § 206.119.

¹⁰ Stafford Act § 312, 42 U.S.C. § 5155; 44 C.F.R. § 206.110(h).

¹¹ Stafford Act § 408(g)(2), 42 U.S.C. § 5174(g)(2). Pursuant to Stafford Act § 103, any reference to “state” with respect to governments or officials is deemed to refer also to Indian tribal governments and officials as appropriate; accordingly, this cost share requirement for states also applies to tribes. 42 U.S.C. § 5123.

Occupational Tools Assistance is a subcategory of eligible Personal Property Assistance under ONA that corresponds to 44 C.F.R. § 206.119(c)(1)(iii), “Tools, specialized or protective clothing, and equipment required by an employer as a condition for employment.” In addition to meeting general conditions of eligibility, applicants also must meet specific eligibility requirements for certain items for which they are requesting Personal Property Assistance. FEMA may ask applicants seeking Occupational Tools Assistance to provide the following documentation to verify that the items requested were required by an employer (not self-employment) as a condition of employment for a specific trade or profession:¹²

- A statement from the employer on company letterhead documenting that the applicant is required to provide his/her own tools as a condition of employment.
- An itemized list of the tools that the employer requires, also on company letterhead.
- An itemized estimate, bill, or receipt showing the replacement cost of the item, and a verifiable statement that the disaster caused the damage.

FEMA establishes a cap for reimbursement for damaged occupational tools required by an employer as a condition of employment. FEMA considers items used in self-employment, such as tools, equipment, or specialized or protective clothing a business expense and therefore not eligible for IHP assistance.¹³ Self-employed applicants who were referred to SBA and who did not qualify for a personal or business loan, or who received a partial loan insufficient to meet the full amount of disaster need, will not receive FEMA assistance for occupational tools.

¹² Individual Assistance Program and Policy Guide, FP 104-009-03, March 2019, Ch. 3, Section IV(C)(1) Personal Property Assistance, pp 153-54 (<https://www.fema.gov/media-library/assets/documents/177489>).

¹³ 44 C.F.R. § 206.113(b)(9).

III. Data Report

At the time of disaster assistance registration, applicants who report that any of their households' income is from self-employment are referred to SBA for a potential loan to address losses incurred because of a presidentially declared disaster or emergency. FEMA does not record business-related losses for self-employed applicants; therefore, FEMA cannot determine with any accuracy the number of self-employed individuals who lost occupational tools as a result of a major disaster. Moreover, FEMA cannot estimate accurately the full amount of potential expenses that self-employed applicants incurred for occupational tool loss because FEMA does not document business-related losses at any point in the registration process. Despite these limitations, FEMA has provided the data in Table 1 to address the congressional inquiry as closely as possible on the basis of IHP policy and applicant registration system constraints.

FEMA analyzed Personal Property Assistance processed under ONA for the 56 major disasters declared for Individual Assistance since January 1, 2016, with applicant data through April 9, 2019, comprising DR-4248-Mississippi through DR-4421-Iowa.

Table 1, Occupational Tool Loss, shows that occupational tools represent a very small portion of the total IHP assistance awarded during the past 3 years. Of the 1.9 million applicants awarded IHP assistance, 0.57 percent of applicants recorded occupational tool loss or damage, and none received assistance for occupational tool loss.

Table 1. Occupational Tool Loss

Data Field	Value
Presidentially Declared Disasters	56
Disaster Assistance Applications	5,629,694
Applicants Referred for IHP Assistance Consideration	4,025,272
Applicants Awarded Any Type of IHP Assistance	1,960,767
Applicants Reporting Occupational Tool Loss	11,117
Applicants Awarded for Occupational Tool Loss	0

Note: The data represented do not account for duplication of entries, or inconsistencies and errors in reported values.

IV. Analysis

FEMA cannot estimate with any level of accuracy the amount of potential expenses incurred for occupational tool loss by self-employed individuals because FEMA does not document business-related losses at any point in the registration process. IHP assistance is intended only for individual and household disaster-caused losses for necessary expenses and serious needs that cannot be met by any other source. Business losses are not addressed by IHP, and other sources of assistance exist for applicants with business losses.

In evaluating the fairness of FEMA's occupational tool policy, FEMA must consider its ability to verify the applicant's need for the tools to ensure that FEMA is a responsible steward of taxpayer dollars. FEMA is required statutorily to safeguard grant funds and to ensure that grant monies are used for their intended purposes. FEMA's verification process would be weakened by allowing self-employed applicants to document and verify their own business losses. Allowing applicants to self-certify the use of items for self-employment would render FEMA vulnerable to fraud, waste, and abuse, as there would be no third party to validate the need for the items. Verification of occupational tools owned and utilized pre-disaster would prove challenging for FEMA if this verification is not noted during inspections. While SBA allows self-employed applicants to repair or replace occupational tools through disaster loan assistance, there is a higher risk for fraud with grant funds that do not require repayment.

FEMA may provide assistance to eligible applicants for occupational tools damaged or destroyed by a disaster if the applicant's employer requires them as a condition of employment. In those cases, the applicant's employer must certify that it requires the applicant to provide the items, and the applicant must provide an itemized list of the items that need to be replaced, including the cost for each item. The employer's certification provides a necessary level of validation before FEMA provides this type of Personal Property Assistance.

FEMA refers applicants with business losses to SBA, which can provide eligible applicants with low-interest and long-term business loans for disaster-related losses. SBA disaster loans provide working capital for the repair or replacement of disaster-damaged property, including machinery and equipment, supplies, inventories, and real estate. Self-employed individuals also may be eligible for income replacement through FEMA's DUA program for lost wages because of their inability to continue their normal business operations as a result of equipment losses. Self-employed applicants who were referred to SBA and who did not qualify for a personal or business loan, or who received a partial loan that was insufficient to meet the full amount of disaster need, will not receive assistance for occupational tools needed for self-employment.

V. Conclusion

FEMA's IHP delivers assistance to individuals and households for necessary expenses and serious needs that cannot be met by any other means. Per Title 44 C.F.R. §206.113(b)(9), FEMA does not provide IHP assistance for damage to business property as the result of a disaster. FEMA directs self-employed individuals to SBA for consideration of a disaster loan to recover business-related losses. In accordance with Section 408 of the Stafford Act and its accompanying regulations and policies, IHP only provides assistance to individuals and households for the repair or replacement of occupational tools when they are required as a condition of employment by a third-party employer, and eligible applicants have no other means to replace them.

Self-employment business losses are ineligible for FEMA assistance, meaning that FEMA does not record business-related losses, including occupational tool loss, from IHP applicants who self-report that their household's primary source of income is self-employment. Because of this ineligibility, FEMA cannot provide a cost estimate about self-employment business losses from IHP applicants.

FEMA IHP assistance is not a substitute for insurance and cannot compensate for all losses caused by a disaster. The program is intended to meet basic needs and supplement disaster recovery efforts. FEMA believes that it is appropriate to continue to direct businesses, including self-employed persons, to SBA so that they can secure low-interest loans for their disaster-related losses.

Appendix: Abbreviations

Abbreviation	Definition
DHS	Department of Homeland Security
DUA	Disaster Unemployment Assistance
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
IHP	Individuals and Households Program
ONA	Other Needs Assistance
SBA	U.S. Small Business Administration