**Section 420.60 Funding Options**

a) Categorical grants shall generally be used as the basis of Federal reimbursement, and must be used for facilities under construction, or for private nonprofit facilities. Under a categorical grant, the work shall be performed as approved in the Project Application and as specified on the DSR's. Reimbursement to the applicant is limited to the actual cost of performing work as previously approved by the FEMA Regional Director in the Project Application. Reimbursement shall not exceed the net eligible cost of restoring a facility, based upon the predisaster design of the facility and on current applicable construction standards.

b) Grants-in-lieu are a type of categorical grant which may be used to provide a larger, more elaborate, or an equivalent facility that as a minimum replaces the design or capacity of the public facility damaged or destroyed by the disaster. The facility to which the grant-in-lieu is applied must be restored to its predisaster capacity, and must serve the same purpose as the damaged facility.

c) Flexible funding grants may be used in cases where the estimated cost of permanently repairing, restoring, reconstructing, or replacing all of the applicant's damaged public facilities exceeds $25,000. The applicant receives a grant equal to 90 percent of the Federal estimate of the permanent work. This grant allows the applicant to choose either to restore the damaged facility or to build new public facilities for other purposes. The applicant must declare the election of flexible funding, through the GAR, to the FEMA Regional Director before the Project Application is approved, as provided at 44 CFR 205.113(b)(2)(ii), August 6, 1980. Flexible funding grants cannot be approved for private nonprofit facilities.

d) Small project grants may be used when the Federal estimate of an applicant's eligible costs for restoration of damaged or destroyed facilities, plus debris removal and emergency protective work total less than $25,000. Small project grants may not be approved for private nonprofit facilities, as provided at 44 CFR 205.113(b)(3)(iii), August 6, 1980.

e) Federal reimbursement under any of the above funding options shall not exceed 100 percent of the applicant's actual costs, and may be reduced in accordance with Federal restrictions.