

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

SESSION LAW 2026-3
HOUSE BILL 433

AN ACT DIRECTING THE OFFICE OF STATE BUDGET AND MANAGEMENT TO RECLASSIFY UNEXPENDED STATE FISCAL RECOVERY FUND BALANCES AND OTHER FUNDING, AUTHORIZING THE NORTH CAROLINA PANDEMIC RECOVERY OFFICE TO REALLOCATE STATE FISCAL RECOVERY FUNDS, DIRECTING THE OFFICE OF STATE BUDGET AND MANAGEMENT TO USE INTEREST EARNED ON VARIOUS FUNDS FOR OPERATIONS PERTAINING TO PANDEMIC RELIEF, AND EXTENDING THE DATE ON WHICH THE NORTH CAROLINA PANDEMIC RECOVERY OFFICE WILL CEASE TO OPERATE.

The General Assembly of North Carolina enacts:

STATE FISCAL RECOVERY FUND AND OTHER ADJUSTMENTS

SECTION 1.(a) Section 6.9 of S.L. 2025-97 reads as rewritten:

"...

"SECTION 6.9.(b) The Office of State Budget and Management (OSBM), in consultation with NCPRO, shall identify all State Fiscal Recovery Fund (SFRF)-funded projects with remaining unexpended balances that were categorized as revenue loss and used for government services. The Director of the Budget may reclassify such unexpended SFRF balances to support other eligible government services (i) only to the extent permitted under federal law and federal guidance; (ii) only from funds that were properly obligated on or before December 31, 2024; and (iii) with expenditures made consistent with 31 C.F.R. Part 35 and related United States Department of the Treasury guidance. A reclassification under this subsection may occur during the 2025-2026 fiscal year and, to the extent necessary to comply with federal requirements, within the applicable federal period of performance, if all of the following conditions are satisfied:

- (1) The governmental service to receive SFRF support was previously supported by SFRF appropriations.
- (2) The governmental service receives a net General Fund appropriation in the 2025-2026 fiscal year.
- (3) The governmental service is an eligible use of SFRF under 31 C.F.R. Part 35 and related United States Department of the Treasury guidance during the period of performance.

"SECTION 6.9.(c) To implement subsection (b) of this section, the Director of the Budget shall make nonrecurring, budget-neutral adjustments as follows:

- (1) Reduce, on a nonrecurring basis, the 2025-2026 or 2026-2027 fiscal year net General Fund appropriation for each agency receiving SFRF pursuant to this section by an amount equal to the SFRF reclassified to that agency.
- (2) Increase, on a nonrecurring basis, the net General Fund appropriation for each agency from which SFRF were reclassified under this section by an amount equal to the SFRF removed from that agency.
- (3) Notwithstanding G.S. 143C-1-2(b), the net General Fund appropriations made under subdivision (2) of this subsection shall be used only for the projects for



which SFRF were reduced under this section and shall not revert but shall remain available until the earlier of project completion or June 30, 2027.

- (4) In no event shall a project from which SFRF are reclassified receive net General Fund appropriations in excess of the project's unexpended SFRF balance as of the date of reclassification.

...

"SECTION 6.9.(e) No later than April 15, 2026, OSBM and NCPRO shall jointly report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on all actions taken under this section, including:

- (1) For each agency and project meeting the revenue-loss criteria in subsection (a) of this section, the project name and the amount of remaining unexpended SFRF as of December 31, 2025. The report shall also identify which projects are complete and have excess SFRF funds and which SFRF projects need additional funds for completion.
- (2) For each agency and project from which unexpended SFRF were reclassified, the project name and the amount of the corresponding nonrecurring net General Fund appropriation provided in lieu of SFRF.
- (3) For each agency and project receiving SFRF pursuant to the reclassification, the project name and the amount of SFRF provided.

The report shall also certify that all SFRF were obligated on or before December 31, 2024, and that expenditures are being made consistent with 31 C.F.R. Part 35 and related United States Department of the Treasury guidance.

"SECTION 6.9.(f) The Director of the Budget shall ensure that implementation of this section results in no change to the net General Fund appropriations in either the 2025-2026 or 2026-2027 fiscal year-years."

SECTION 1.(b) No later than January 15, 2027, OSBM and NCPRO shall jointly update the report required by Section 6.9(e) of S.L. 2025-97, as amended by subsection (a) of this section, to reflect agency and project status through December 31, 2026.

SECTION 1.1. Subdivision (5) of Section 6.2 of S.L. 2026-1 reads as rewritten:

- "(5) Funds allocated to the Office of State Budget and Management by Section 12.2(f)(2) of S.L. 2023-134 to provide a grant to the Burke Partnership for Economic Development, Inc., a nonprofit corporation, (Partnership) to install water and wastewater at the Western NC Megasite shall, and remaining unspent and unencumbered as of the effective date of this section, shall, notwithstanding that subdivision or any provision of law to the contrary, be reallocated to Burke County to be used for water and wastewater projects in Burke County identified in an application as, and used as, matching funds for a grant applied for and awarded by the United States Department of Commerce, Economic Development Administration. The Partnership shall not expend or encumber funds identified in the application until a determination regarding the grant is made. In the event the grant is not awarded on or before October 1, 2026, the Partnership shall distribute the funds, including any interest earned thereon, as follows: eighty percent (80%) to Burke County and twenty percent (20%) to McDowell County. The recipient counties shall use the funds distributed pursuant to this subdivision to construct or improve water infrastructure, sewer infrastructure, or both."

ADDITIONAL STATE FISCAL RECOVERY FUND FLEXIBILITY

SECTION 2.(a) Notwithstanding any provision of law to the contrary, and subject to the conditions set out in subsection (b) of this section, the North Carolina Pandemic Recovery Office (NCPRO), in consultation with the Director of the Budget, may reallocate State Fiscal

Recovery Funds (SFRF) appropriated by this act or any act of the General Assembly, including, but not limited to:

- (1) S.L. 2021-180.
- (2) S.L. 2021-189.
- (3) S.L. 2022-6.
- (4) S.L. 2022-74.
- (5) S.L. 2023-134.
- (6) S.L. 2024-1.
- (7) S.L. 2024-40.
- (8) S.L. 2024-53.
- (9) S.L. 2024-55.

SECTION 2.(b) The funds set out in subsection (a) of this section may be reallocated only when all of the following conditions are met:

- (1) There is a reasonable expectation that the funds will not be expended before the deadline established by applicable federal law or guidance.
- (2) The reallocation is made to support activities that previously received an appropriation from the SFRF, are authorized under this act or one of the acts listed in subsection (a) of this section, and adhere to Federal SFRF Expenditure Category 5 (Water, Sewer, or Broadband Infrastructure) guidance. Reallocated funds shall not be used for any new activity, purpose, or program.

SECTION 2.(c) The Director of the Budget shall reallocate funds under subsection (b) of this section by making nonrecurring transfers of General Fund appropriations from each agency receiving SFRF fund transfers to the agency from which the SFRF funds were transferred. The authorization to reallocate under this section is not an authorization to modify the purposes of the original appropriations to either the receiving or transferring agency.

SECTION 2.(d) The Director of the Budget may allocate any funds remaining after the reallocation process authorized in subsection (b) of this section to the State Treasurer up to an amount equal to the remaining unreimbursed COVID-19-related expenses incurred by the North Carolina State Health Plan for Teachers and State Employees between March 3, 2021, and December 31, 2024, provided the reallocation is consistent with federal law and guidelines.

SECTION 2.(e) To the extent that funds reallocated pursuant to this section are unappropriated, those funds are hereby appropriated and available for use pursuant to this section.

SECTION 2.(f) Reporting. – No later than January 15, 2027, the Office of State Budget and Management (OSBM) shall report to the Fiscal Research Division on the reallocations made pursuant to this section in the same manner as required in Section 6.9(e) of S.L. 2025-97.

INTEREST TO SUPPORT NC PANDEMIC RECOVERY EFFORTS

SECTION 3. Any interest earned on the following is appropriated to the Office of State Budget and Management (OSBM) for operations pertaining to pandemic recovery and may be utilized in accordance with the requirements set out in Section 6.9 of S.L. 2025-97:

- (1) Local Fiscal Recovery Fund, Budget Code 63009, Budget Fund 610000.
- (2) Homeowner Assistance Fund, Budget Code 23023, Budget Fund 214150, that is allowed to be retained by the State.
- (3) Economic Development Assistance Strategy and Tourism grant funds, Budget Code 23025, Budget Funds 214250 and 214251, that is allowed to be retained by the State.
- (4) Project Fund, Budget Code 23022, Budget Fund 214102, that is allowed to be retained by the State.

NCPRO/EXTENSION OF OPERATIONS

SECTION 4. Section 4.3 of S.L. 2020-4, as amended by Section 3.5 of S.L. 2021-1, Section 23.2 of S.L. 2021-180, Section 6.1 of S.L. 2021-189, and Section 23.1 of S.L. 2023-134, reads as rewritten:

"SECTION 4.3.(a) OSBM shall establish a temporary North Carolina Pandemic Recovery Office (Office) to oversee and coordinate funds made available under COVID-19 Recovery Legislation, as defined in Section 1.2 of S.L. 2020-4, and the American Rescue Plan Act, as defined in Section 1.1 of S.L. 2021-25 and Section 4.9(b) of S.L. 2021-180. This Office shall also provide technical assistance and ensure coordination of federal funds received by State agencies and local governments and ensure proper reporting and accounting of all funds. The authorization set forth in this section expires on ~~June 30, 2026~~, May 1, 2027, and the Office shall cease to operate upon expiration of the authorization.

"SECTION 4.3.(b) ~~Beginning March 1, 2021, and ending on~~ No later than one week prior to the date the Office ceases to operate under subsection (a) of this section, the Office shall submit a monthly final report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division that includes each of the following:

- (1) For each month since March 1, 2020, the number of staff hired to support the Office's duties and responsibilities, including the position numbers, whether the position is permanent or temporary, the start date and end date for each temporary position, the funding source for each position, and the total amount of funds spent on salary and benefits for personnel.
- (2) For each month since March 1, 2020, an accounting of nonpersonnel expenditures.
- (3) A description of the Office's activities during the ~~2020-2026~~ calendar year.
- (4) A description of the Office's activities related to the ~~Fund that remain to be completed in the 2021 calendar year.~~ Fund, including any funding returned to the United States Treasury.

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EFFECTIVE DATE

SECTION 5. This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 11th day of May, 2026.

s/ Rachel Hunt
President of the Senate

s/ Donna McDowell White
Presiding Officer of the House of Representatives

s/ Josh Stein
Governor

Approved 3:58 p.m. this 12th day of May, 2026