

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 433
Committee Substitute Favorable 4/29/25
Committee Substitute #2 Favorable 4/30/25
Senate Appropriations/Base Budget Committee Substitute Adopted 4/30/26

Short Title: SFRF/NCPRO Revisions.

(Public)

Sponsors:

Referred to:

March 19, 2025

A BILL TO BE ENTITLED

AN ACT DIRECTING THE OFFICE OF STATE BUDGET AND MANAGEMENT TO RECLASSIFY UNEXPENDED STATE FISCAL RECOVERY FUND BALANCES, 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 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 (1) Reduce, on a nonrecurring basis, the 2025-2026 or 2026-2027 fiscal year net
- 2 General Fund appropriation for each agency receiving SFRF pursuant to this
- 3 section by an amount equal to the SFRF reclassified to that agency.
- 4 (2) Increase, on a nonrecurring basis, the net General Fund appropriation for each
- 5 agency from which SFRF were reclassified under this section by an amount
- 6 equal to the SFRF removed from that agency.
- 7 (3) Notwithstanding G.S. 143C-1-2(b), the net General Fund appropriations made
- 8 under subdivision (2) of this subsection shall be used only for the projects for
- 9 which SFRF were reduced under this section and shall not revert but shall
- 10 remain available until the earlier of project completion or June 30, 2027.
- 11 (4) In no event shall a project from which SFRF are reclassified receive net
- 12 General Fund appropriations in excess of the project's unexpended SFRF
- 13 balance as of the date of reclassification.
- 14

...

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

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

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

31 **"SECTION 6.9.(f)** The Director of the Budget shall ensure that implementation of this
 32 section results in no change to the net General Fund appropriations in either the 2025-2026 or
 33 2026-2027 fiscal year-years."

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

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 38 **ADDITIONAL STATE FISCAL RECOVERY FUND FLEXIBILITY**

39 **SECTION 2.(a)** Notwithstanding any provision of law to the contrary, and subject
 40 to the conditions set out in subsection (b) of this section, the North Carolina Pandemic Recovery
 41 Office (NCPRO), in consultation with the Director of the Budget, may reallocate State Fiscal
 42 Recovery Funds (SFRF) appropriated by this act or any act of the General Assembly, including,
 43 but not limited to:

- 44 (1) S.L. 2021-180.
- 45 (2) S.L. 2021-189.
- 46 (3) S.L. 2022-6.
- 47 (4) S.L. 2022-74.
- 48 (5) S.L. 2023-134.
- 49 (6) S.L. 2024-1.
- 50 (7) S.L. 2024-40.
- 51 (8) S.L. 2024-53.

1 (9) S.L. 2024-55.

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

4 (1) There is a reasonable expectation that the funds will not be expended before
5 the deadline established by applicable federal law or guidance.

6 (2) The reallocation is made to support activities that previously received an
7 appropriation from the SFRF, are authorized under this act or one of the acts
8 listed in subsection (a) of this section, and adhere to Federal SFRF
9 Expenditure Category 5 (Water, Sewer, or Broadband Infrastructure)
10 guidance. Reallocated funds shall not be used for any new activity, purpose,
11 or program.

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

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

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

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

28 **INTEREST TO SUPPORT NC PANDEMIC RECOVERY EFFORTS**

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

32 (1) Local Fiscal Recovery Fund, Budget Code 63009, Budget Fund 610000.

33 (2) Homeowner Assistance Fund, Budget Code 23023, Budget Fund 214150, that
34 is allowed to be retained by the State.

35 (3) Economic Development Assistance Strategy and Tourism grant funds, Budget
36 Code 23025, Budget Funds 214250 and 214251, that is allowed to be retained
37 by the State.

38 (4) Project Fund, Budget Code 23022, Budget Fund 214102, that is allowed to be
39 retained by the State.

40 **NCPRO/EXTENSION OF OPERATIONS**

41 **SECTION 4.** Section 4.3 of S.L. 2020-4, as amended by Section 3.5 of S.L. 2021-1,
42 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,
43 reads as rewritten:

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

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

7 (1) For each month since March 1, 2020, the number of staff hired to support the
8 Office's duties and responsibilities, including the position numbers, whether
9 the position is permanent or temporary, the start date and end date for each
10 temporary position, the funding source for each position, and the total amount
11 of funds spent on salary and benefits for personnel.

12 (2) For each month since March 1, 2020, an accounting of nonpersonnel
13 expenditures.

14 (3) A description of the Office's activities during the ~~2020-2026~~ calendar year.

15 (4) A description of the Office's activities related to the ~~Fund that remain to be~~
16 ~~completed in the 2021 calendar year.~~ Fund, including any funding returned to
17 the United States Treasury.

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20 **EFFECTIVE DATE**

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