



NCPRO

NC Pandemic Recovery Office

NCPRO Interagency Meeting

February 26, 2026

Agenda

1. Welcome
2. Session Law 2025-97 (Continuation)- Tommy
3. SFRF category expenditure data – Joy
4. SFRF Projects Closeout Roadmap - Yongjun
5. Expenditure Deadline and Closeout Costs - Joy
6. 2026 Monitoring, Closeout & Audit Readiness - Tommy

Session Law 2025-97

- Session Law 2025-97 is the latest “mini-budget” bill that was signed into law October 22nd and for the most part retroactive back to July 1, 2025.
- This bill is important for NCPRO because it gives SOME state-based flexibility to the SFRF Revenue Replacement projects.
- What we will try to do today is to show you all the parts of this “flexibility” language, express next steps, and answer any questions you may have.
- The NCPRO portion of the Session Law is Section 6.9 starting on page 12.
<https://www.ncleg.gov/Sessions/2025/Bills/Senate/PDF/S449v5.pdf>

Session Law 2025-97

SECTION 6.9

- (a) Notwithstanding any other provision of law, State Fiscal Recovery Funds (SFRF) appropriated in S.L. 2021-180, as amended, that are categorized as revenue loss by the North Carolina Pandemic Recovery Office (NCPRO) may be used to support government services, subject to and consistent with 31 C.F.R. Part 35 and related United States Department of the Treasury guidance. For purposes of this section, "government services" has the meaning set forth in 31 C.F.R. § 35.6(d) and does not include any use prohibited by federal law or federal guidance.

Session Law 2025-97

SECTION 6.9 (Important section for February meeting)

- (b) The Office of State Budget and Management (OSBM), in consultation with NCPRO, shall identify all 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

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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 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.

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SECTION 6.9 **(Complete)**

(d) To reconcile project-level allocations with available SFRF balances, OSBM, through NCPRO, may adjust SFRF project allocations by up to ten dollars (\$10.00) per project. Adjustments under this subsection are technical and shall not change project scope or shift funds between projects. Nothing in this subsection limits or supersedes a reclassification authorized by subsection (b) of this section

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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.

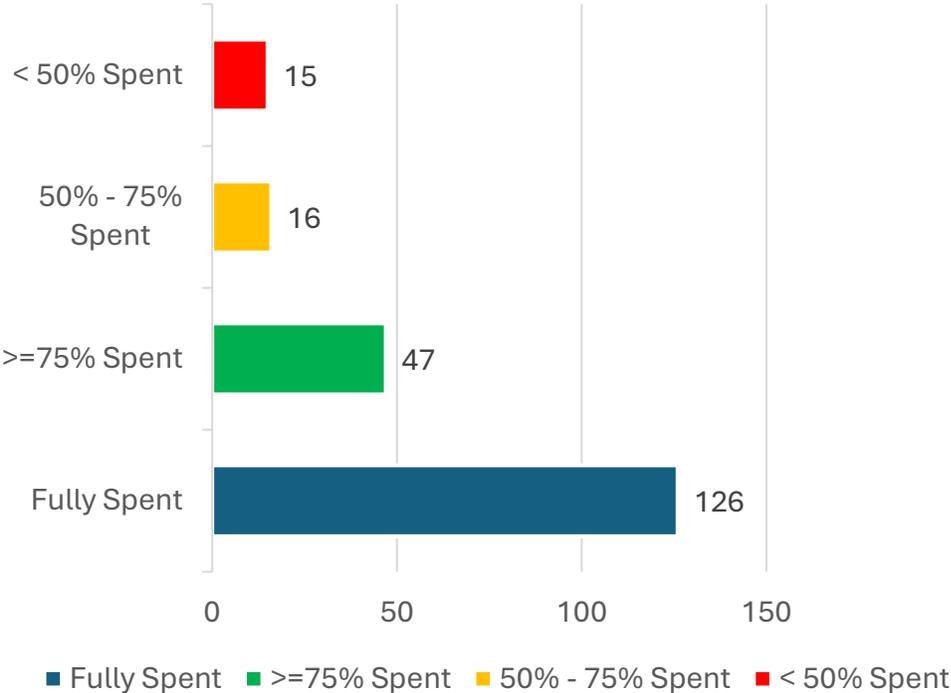
Session Law 2025-97

Next steps:

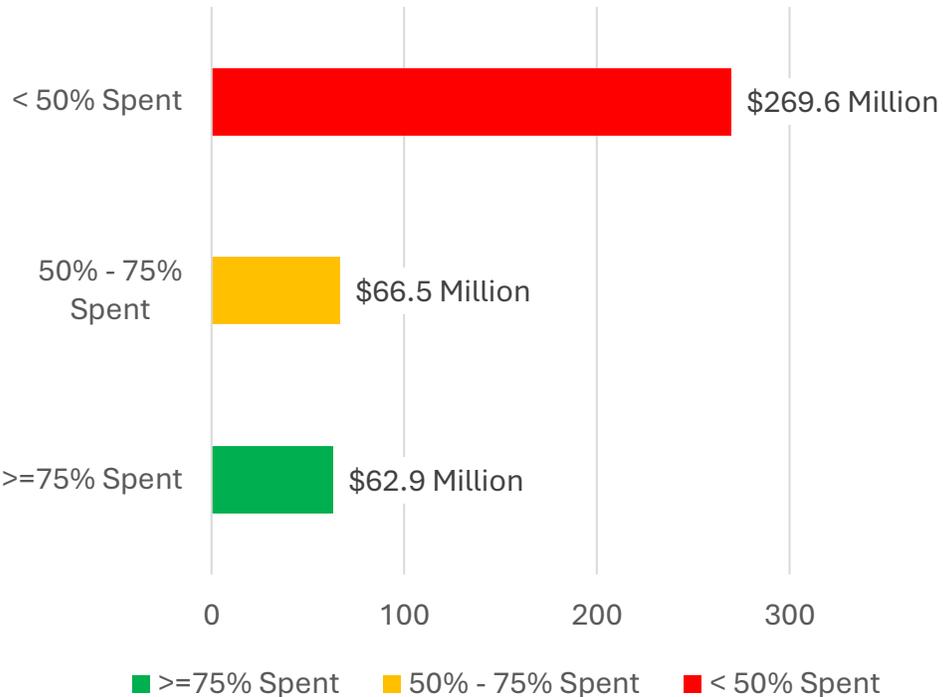
- Grant Managers through December 2025 will be confirming through Accountability Calls and email correspondence the status of projects.
 - If a project **COULD** be spent out by December 2026, but you are uncertain, tell us that too.
- Expense reports submitted in PANGRAM in January 2026 should include **ALL** expenditures through December 2025.
 - This data will be used to report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.
 - Due January 15, 2026
- NCPRO is currently compiling and updating a report per section 6.9(e).

SFRF Revenue Replacement Projects as of December 31, 2025

**Total Count of SFRF Revenue-
Replacement Projects: 204**

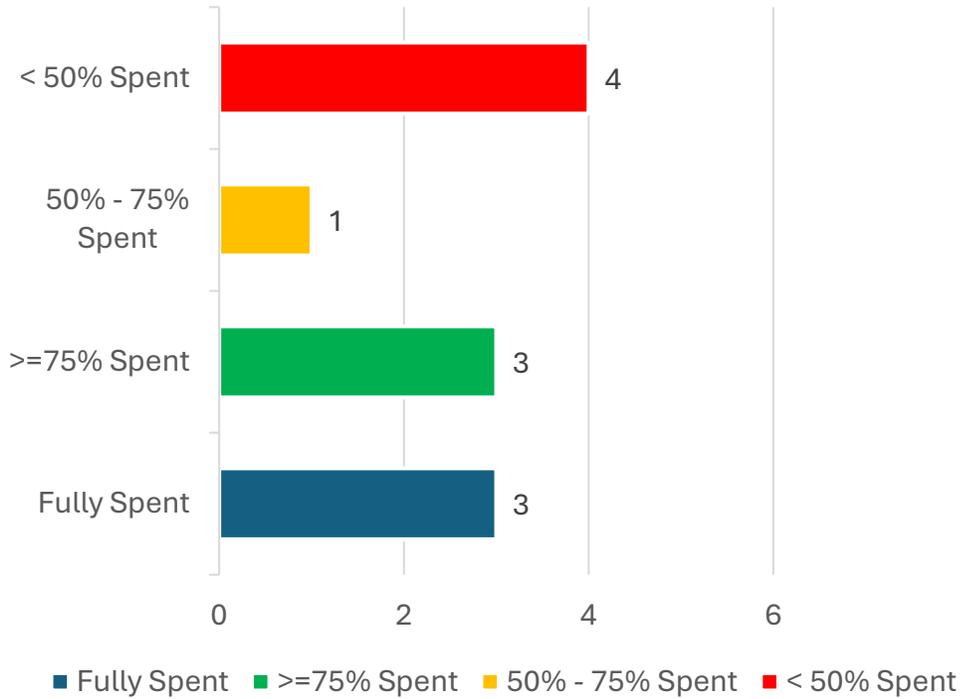


**SFRF Revenue-Replacement Projects Unexpended
Balance: \$399 million**

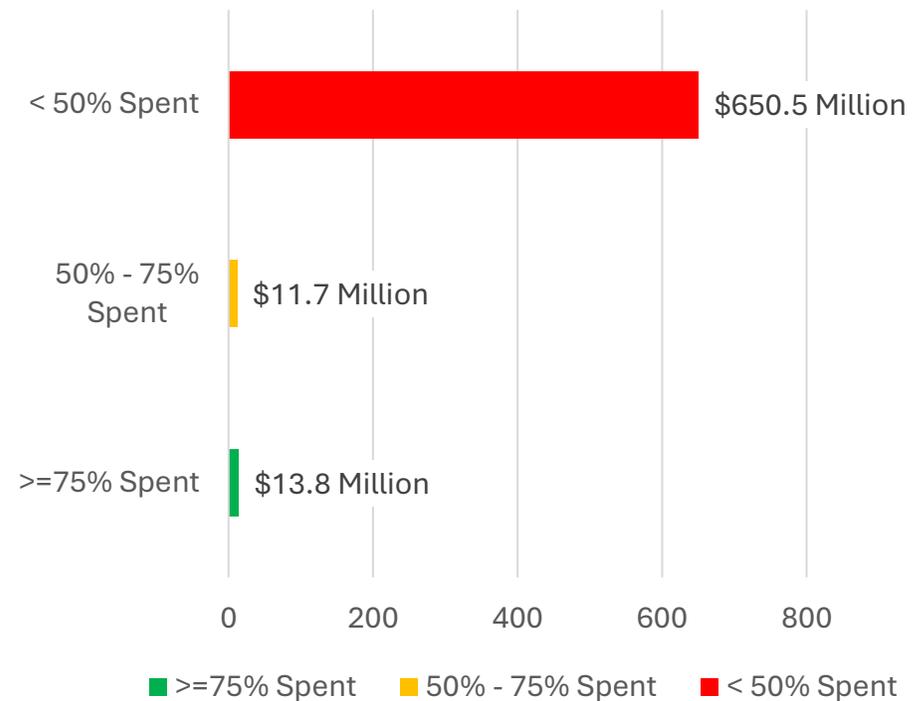


SFRF Non-Revenue Replacement Projects as of December 31, 2025

Total Count of SFRF Non-Revenue Replacement Projects: 11



SFRF Non-Revenue Replacement Projects Unexpended Balance: \$676 million



SFRF Projects Closeout Roadmap

- Total SFRF Projects: 215
- Projects closed: 92
 - All funds expended and any unexpended funds returned to NCPRO
 - All reports and closeout documentation submitted to NCPRO
 - KPI data completed

SFRF Expenditure Deadline

FROM COMPLIANCE AND REPORTING GUIDANCE OCT 2025

7. Period of Performance.

Your organization should also develop and implement internal controls related to activities occurring outside the period of performance. For eligible uses under the 2022 final rule, all funds remain subject to statutory and regulatory requirements that they must be used for costs incurred by the recipient during the period that begins on March 3, 2021, and ends on December 31, 2024, and that award funds for the financial obligations incurred by December 31, 2024 must be expended by December 31, 2026. For eligible uses under the 2023 IFR, recipients may use SLFRF funds for costs incurred beginning December 29, 2022. Consistent with the existing eligible uses, recipients must obligate SLFRF funds for the new eligible uses by December 31, 2024. Recipients must expend SLFRF funds obligated to provide emergency relief from natural disasters by December 31, 2026. Recipients must expend SLFRF funds obligated for Surface Transportation projects and Title I projects by September 30, 2026. Any funds not expended by the applicable deadline must be returned to Treasury. As previously provided in 31 CFR 35.5(c) and FAQ 17.5, recipients may expend funds to cover administrative closeout costs until the final Project & Expenditure Report is due on April 30, 2027 (120 calendar days after the end of the period of performance). Other than such administrative closeout costs, recipients may not continue to expend funds beyond the period of performance.

SFRF Expenditure Deadline

[From Coronavirus State and Local Fiscal Recovery Funds Frequently Asked Questions](#)

14.6. What are the expenditure deadlines for the SLFRF program? Across all seven eligible use categories, recipients must obligate SLFRF funds by December 31, 2024.

In the case of the four eligible use categories described in the 2022 final rule (public health and negative economic impacts; premium pay; revenue loss; and water, sewer, and broadband infrastructure), and the new emergency relief from natural disasters eligible use category described in the 2023 interim final rule, recipients must expend funds by December 31, 2026. SLFRF funds used for a Surface Transportation project or a Title I project must be expended by September 30, 2026. See pages 3, 9, and 19 of the Overview of the 2023 Interim Final Rule.

As previously provided in 31 CFR 35.5(c) and FAQ 17.5, recipients may expend funds to cover administrative closeout costs until the final Project and Expenditure Report is due on April 30, 2027 (120 calendar days after the end of the period of performance). Other than such administrative closeout costs, recipients may not continue to expend funds beyond the period of performance. Funds not expended by the applicable deadline must be returned to Treasury.

SFRF Liquidation

From 2022 Final Rule

C. Timeline for Use of SLFRF Funds

The interim final rule provided that “[a] recipient may only use funds to cover costs incurred during the period beginning March 3, 2021 and ending December 31, 2024.” The interim final rule also provides that the period of performance will run until December 31, 2026, which will provide recipients an additional two years during which they may expend funds for costs incurred (i.e., obligated). As explained in more detail below, in the final rule Treasury is maintaining these time periods... **The deadline for costs to be incurred— which the final rule clarifies means obligated—December 31, 2024, is specified in the ARPA statute, and Treasury will retain December 31, 2026 as the end of the period of performance to provide a reasonable amount of time for recipients to liquidate obligations incurred by the statutory deadline.**

Treasury Response. [to Public Comments] In the final rule, Treasury is maintaining March 3, 2021 as the date when recipients may begin to incur costs using SLFRF funds... **In the final rule, Treasury is also maintaining the deadlines by which funds must be obligated (i.e., December 31, 2024) and by which such obligations must be liquidated (i.e., December 31, 2026)**... Treasury is also maintaining the period of performance, which will run through December 31, 2026, and provides the deadline by which recipients must expend obligated funds. Most recipients received SLFRF funds in the spring and summer of 2021, meaning that they have over three years to obligate and over five years to expend funds. This provides a sufficient amount of time for recipients to plan and execute projects.

SFRF Liquidation

From 2022 Final Rule

Per the Uniform Guidance, subrecipients must adhere to the same requirements as recipients. Therefore, a nonprofit subrecipient may only receive funds to carry out an eligible use of SLFRF funds and must comply with any reporting and compliance requirements. **Note that recipients are ultimately responsible for reporting information to Treasury and must collect any necessary information from their subrecipients to complete required reporting.**

For funds transferred to a subrecipient, the interim final rule noted that “[r]ecipients continue to be responsible for monitoring and overseeing the subrecipient’s use of SLFRF funds and other activities related to the award to ensure that the subrecipient complies with the statutory and regulatory requirements and the terms and conditions of the award.

Recipients also remain responsible for reporting to Treasury on their subrecipients’ use of payments from the SLFRF funds for the duration of the award.”

SFRF Allowable Closeout Costs

From Coronavirus State and Local Fiscal Recovery Funds Frequently Asked Questions

17.5. What types of closeout costs are allowable after December 31, 2026, and how will recipients report these obligations and expenditures to Treasury?

Consistent with the revision to the definition of obligation in the Obligation IFR, recipients are considered to have incurred an obligation by December 31, 2024, with respect to costs to close out their SLFRF award pursuant to 2 CFR 200.344, the provision of the Uniform Guidance addressing closeout. Eligible costs may include the costs of administrative support, data security measures, review and reconciliation of the general ledger and other accounting matters, compliance with reporting requirements, bank reconciliation matters, preparation of and compliance with program policies and procedures, compliance with internal controls, single audit and program-specific audit matters, and closeout processes associated with subrecipient, contractor, and beneficiary relationships, among other costs.

Recipients that provide an estimate of certain legal and administrative costs as discussed in FAQs 17.10-17.13 should include their estimate of closeout costs in such estimate.

SFRF Allowable Closeout Costs

January 1, 2027 – April 30, 2027

- No programmatic costs allowed
- Only admin costs allowed
- Examples of allowable closeout costs:
 - Payroll costs for administrative activities such as personnel performing the following activities:
 - Financial reconciliations:
 - Supporting documents reconciled to both subledgers and subawards
 - Includes invoices, purchase orders, contracts
 - Subledgers and subawards reconciled to general ledger
 - Bank recons
 - Prepare and submit expense reports, subaward attachments, and supporting documentation in PANGRAM
 - Finalize and report key performance indicators (KPIs)
 - Audit costs
 - Closeout processes – gather/organize documentation to support compliance with policies, procedures, internal controls, federal and state requirements, proof of payment

SFRF Final Report

- Final expense report due no later than March 15, 2027 (should only include allowable closeout costs/admin costs incurred through February 28, 2027)
 - Un-expended balances should be returned to NCPRO by February 28, 2027
 - Subrecipients of state agencies and subrecipients of NCPRO's subs should submit all reports/data to their pass-through entity no later than December 31, 2026. Invoices and support for payments should be submitted to the pass-through entity prior to December 31, 2026, to allow time for state agencies and NCPRO subs to make payments before December 31, 2026.
 - PANGRAM is accessible through April 30, 2027. After April 30, 2027, PANGRAM will enter post-closeout stage and become inactive to grantees. The data and documents in PANGRAM will only be accessible for future auditing and other special purposes.
- NCPRO submit final report to US Treasury April 30, 2027 (no costs allowed after April 30, 2027)

*Note: Dates established by NCPRO are subject to change

SFRF Key Takeaways

- Period of Performance ends December 31, 2026
 - Funds had to be obligated/incurred by December 31, 2024
 - Allowed two years to liquidate funds
 - Recipients/subrecipients/contractors may not expend funds beyond period of performance
- Funds must be liquidated by December 31, 2026
- Final programmatic data and KPI data for all SFRF projects due by January 15, 2027
- Only allowable administrative closeout costs can be expended from January 1, 2027 – April 30, 2027
 - No program costs allowed including payments to contractors and subrecipients
 - Only administrative costs allowed
- State agencies and NCPRO's direct subrecipients must report to NCPRO by March 15, 2027
 - No costs allowed after February 28, 2027 - state agencies and NCPRO direct subrecipients
- NCPRO submits final report to US Treasury by April 30, 2027

*Note: Dates established by NCPRO are subject to change

Deloitte for Cycle 3

- Monitoring
 - Not completely like cycles 1&2
 - More project risk based approach rather than entity level compliance
 - Focused on ensuring observations are addressed and project is audit ready
- Technical Assistance
 - Again, not completely like the last round
 - TA will be more focused on closeout and audit readiness
 - Planning on having tools available to assist in closing projects for entities
- Audit Readiness
 - With the work that will be done in Monitoring and TA, focus on getting NCPRO ready for shutdown and projects audit ready.
- ***NOTE – the extension is not finalized and all this is still conceptual, so more information to come.

Questions