



NCPRO

NC Pandemic Recovery Office

NCPRO Interagency Meeting

May 28, 2026

Agenda

1. Welcome
2. Session Law 2026-3 - Tommy
3. SFRF category expenditure data – Joy
4. Expenditure Deadline and Closeout Costs – Joy
5. Cycle 3 Activities Update - Tommy

Session Law 2026-3

- Session Law 2026-3 is a nearly NCPRO only session law that does multiple things for NCPRO.
- This bill is important for NCPRO because it gives SOME state-based flexibility to the SFRF Revenue Replacement projects, as well as this time NON-REVENUE REPLACEMENT projects. It also extends the life of NCPRO to May1, 2027 and gives NCPRO the ability to utilize interest from other programs that NCPRO has administered over the years.
- What we will try to do today is to show you most of the parts of this “flexibility” language, express next steps, and answer any questions you may have.
- The link to SL 2026-3 <https://www.ncleg.gov/Sessions/2025/Bills/House/PDF/H433v7.pdf>

Session Law 2026-3 (Section 1)

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.
- (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

Session Law 2026-3 (Section 1)

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.

Session Law 2026-3 (Section 1)

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 1.(b)

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

Session Law 2026-3 (Section 1)

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 years.

Session Law 2026-3 (Section 2)

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.

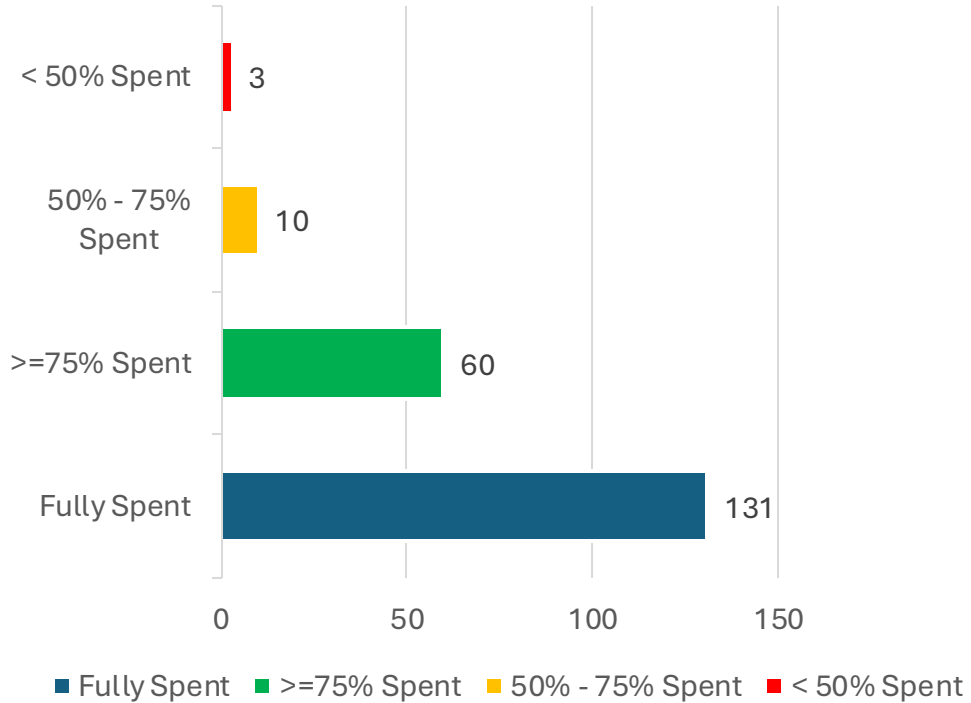
Session Law 2026-3

Next steps:

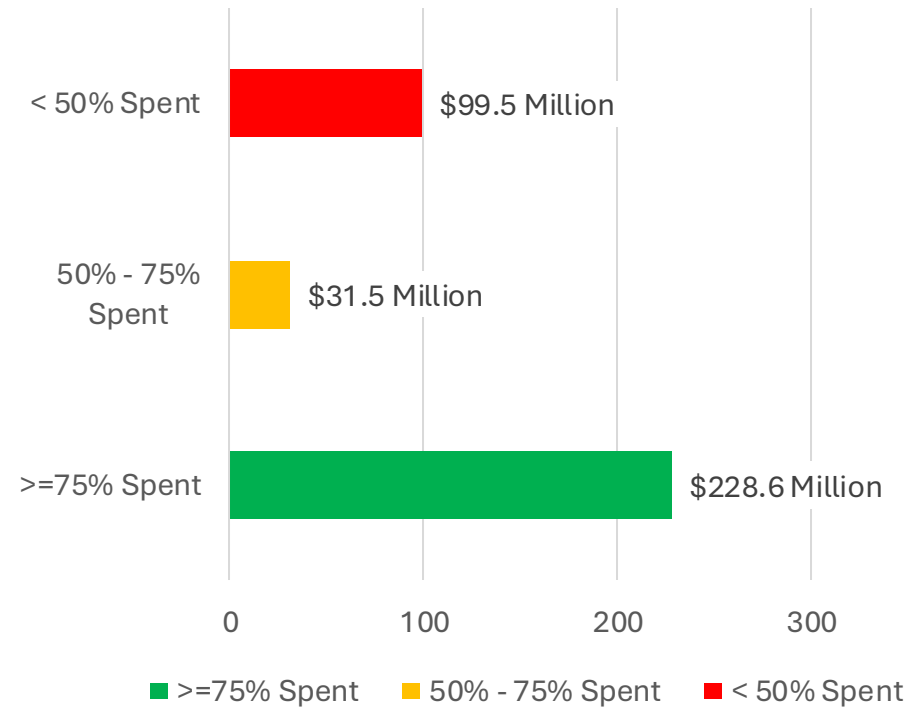
- NCPRO has commenced another round of analysis to focus in on the next dozen projects that are in danger of NOT being fully expended by 12-31-2026.
- NCPRO is looking at closing those projects that have not expended any funds over the past 6 months.
- That Revenue Replacement swap will take place in August 2026. Your Grants Manager will be contacting you to discuss the amount of any swap that is identified and next steps.
- NCPRO is in communication with NON REVENUE replacement project agencies to conduct a proper swap of those funds prior to the end of this fiscal year.
- NCPRO is currently compiling and updating a report per section 6.9(e).

SFRF Revenue Replacement Projects as of March 31, 2026

Total Count of SFRF Revenue- Replacement Projects: 204

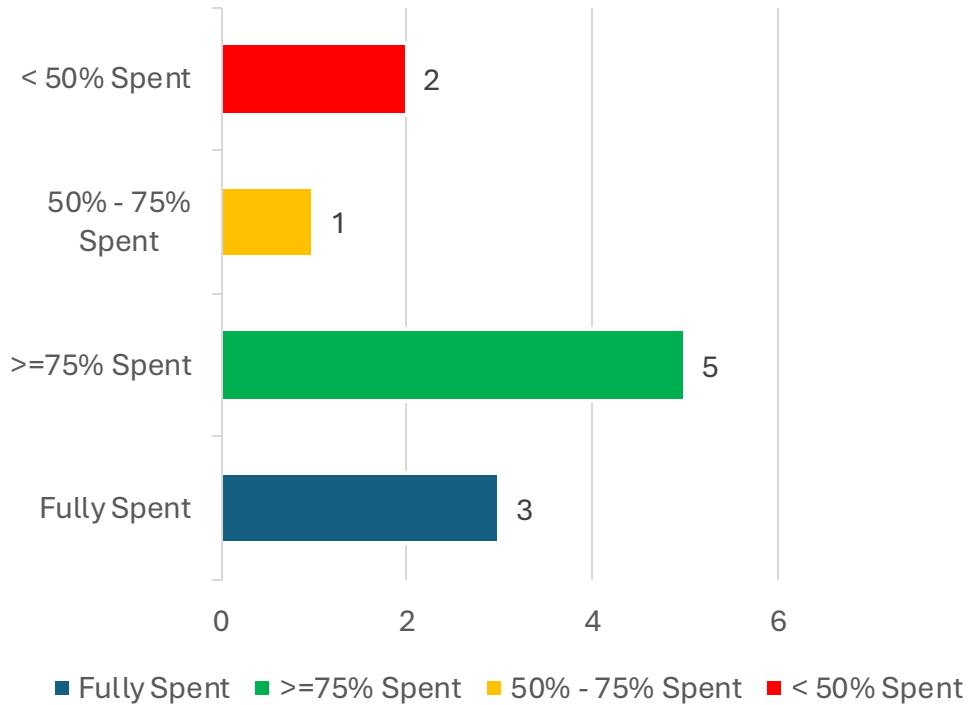


SFRF Revenue-Replacement Projects Unexpended Balance: \$359.6 million

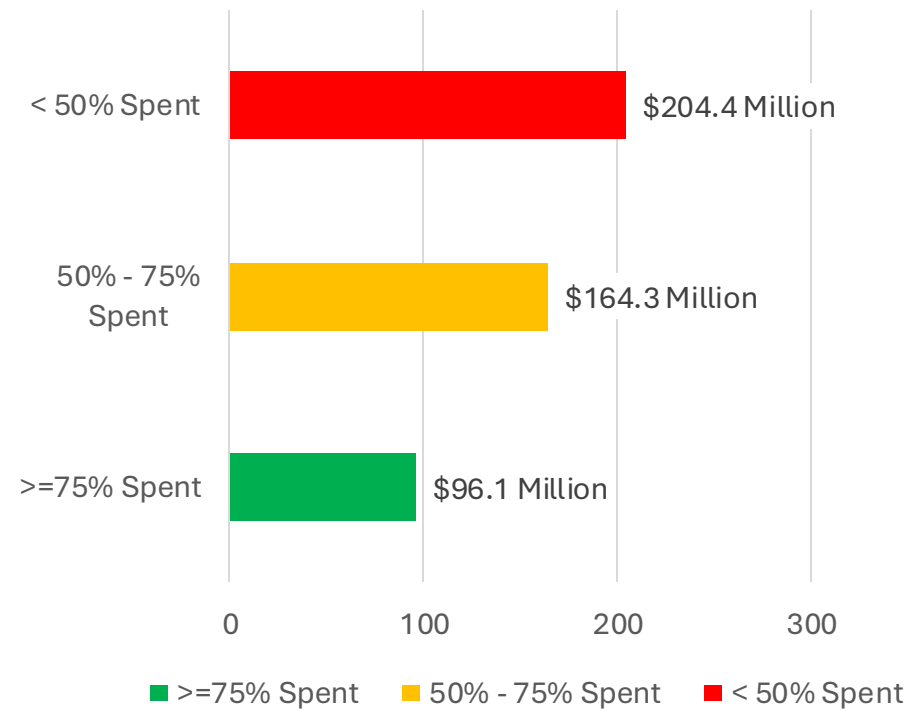


SFRF Non-Revenue Replacement Projects as of March 31, 2026

Total Count of SFRF Non-Revenue Replacement Projects: 11



SFRF Non-Revenue Replacement Projects Unexpended Balance: \$464.8 million



SFRF Deadlines

- Period of Performance ends December 31, 2026
 - Funds had to be obligated/incurred by December 31, 2024
 - Allowed two years to liquidate funds
 - All funds liquidated by December 31, 2026
 - Includes payments to subrecipients, contractors, and agency personnel for program costs
 - Subrecipients/contractors may not expend funds beyond period of performance
 - All services provided, goods received, and payments made
 - Unexpended funds must be returned to US Treasury
- Only allowable closeout costs can be expended from January 1, 2027 – April 30, 2027
 - No program costs allowed including payments to contractors and subrecipients
 - Only allowable closeout costs permitted for OSBM/NCPRO and state agencies as authorized by State legislation

SFRF Allowable Closeout Costs

January 1, 2027 – April 30, 2027

- No programmatic costs allowed
- Only allowable closeout costs permitted for OSBM/NCPRO and state agencies as authorized by State legislation
- 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

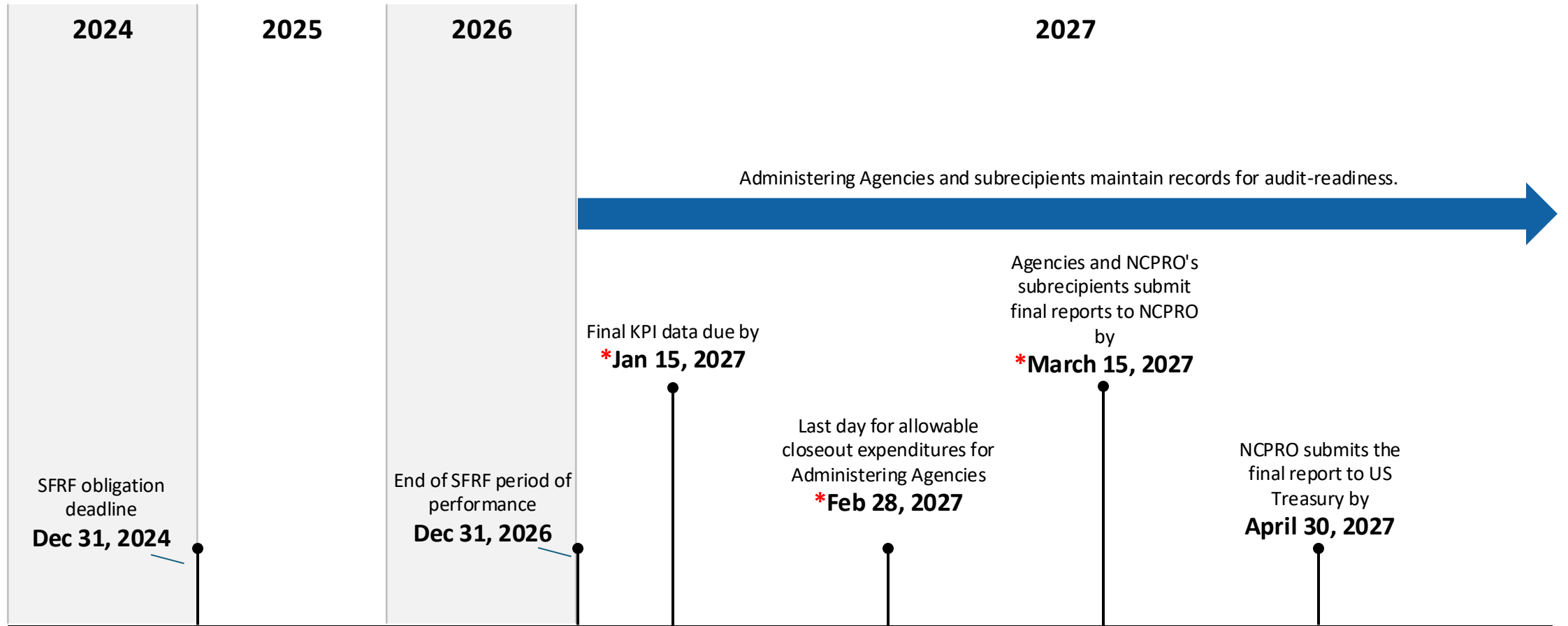
SFRF Final Report

- Final programmatic data and KPI data for all SFRF projects due by January 15, 2027
- Final expense report due no later than March 15, 2027 (should only include allowable closeout 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. Payments cannot be made to subs and contractors after 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 Closeout Dates and Deadlines



*Note: Dates established by NCPRO are subject to change.

SFRF Closeout Dates and Deadlines

Date	Description
December 31, 2024	SFRF obligation deadline.
December 31, 2026	End of period of performance of the award. <ul style="list-style-type: none"> Final date to incur allowable programmatic and administrative costs for subrecipients. All funds for programmatic costs must be liquidated by this date. <ul style="list-style-type: none"> No program costs are allowed after this date, including payments to contractors and subrecipients for programmatic costs incurred after this date. After this date, only allowable closeout costs for <u>Administering Agencies</u> are allowable.
*January 15, 2027	Final key performance indicators (KPI) data for all SFRF projects is due to NCPRO. <ul style="list-style-type: none"> See the Reporting Information and Resources NCPRO and your grant agreement for details on reporting requirements.
*February 28, 2027	Last day for allowable closeout expenditures for Administering Agencies. Un-expended balances should be returned to NCPRO by this date.
*March 15, 2027	Administering Agencies and NCPRO's subrecipients must submit final reports to NCPRO including all required SFRF reports, reconciliation of cash balances, and final disposition of property if applicable. <ul style="list-style-type: none"> See the Reporting Information and Resources NCPRO and your grant agreement for details on reporting requirements.
April 30, 2027	NCPRO submits the final US Treasury report by this date.
December 31, 2032	Administering Agencies and NCPRO's subrecipients maintain audit-readiness until at least 12/31/2032 . <ul style="list-style-type: none"> Project files are maintained in a central location with appropriate access controls. Policies, procedures, and training are in place for legacy planning.

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CYCLE 3

❖ Cycle 3 Key Activities

- Final Phase Monitoring
 - 8 agencies being virtually monitored
 - Letters have gone out to the first few – Monitoring to start in June
 - Everyone else received an LRQ – all results are in.
- Final Phase Technical Assistance
 - First sessions on CLOSEOUT conducted May 14th and 15th.
 - Second Session tentatively scheduled for June 25th.
- NCPRO Closeout of our projects ongoing (112 of 215) as of last week.

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Questions