



HOUSE BILL 433: SFRF/NCPRO Revisions.

2025-2026 General Assembly

Committee:	Senate Appropriations/Base Budget	Date:	April 29, 2026
Introduced by:	Reps. Gillespie, White, Cotham, Reeder	Prepared by:	Jeff Cherry
Analysis of:	PCS to Third Edition H433-CSNEa-14		Staff Attorney

OVERVIEW: *The PCS makes certain statutory adjustments needed because of the pending deadline (December, 2026) for expenditure of State Fiscal Recovery Funds (SFRF) provided to the State under the American Rescue Plan Act (ARPA). SFRF funds were provided in several categories of eligible uses, including revenue loss/replacement, broadband infrastructure, premium pay, water and wastewater infrastructure, and COVID response. The Fiscal Research Division (FRD) continues to have concerns about broadband spending and believes a sizable portion of these funds will revert to the US Treasury at the end of 2026 without action by the General Assembly.*

BILL ANALYSIS: **Section 1** would extend authority to perform swapouts of funding provided in Section 6.9 of S.L. 2025-97 ("An Act to Implement Additional Budgetary Adjustments and to Make Other Changes") through the 2026-2027 fiscal year.

Section 2 would permit reallocation of funds in the SFRF water, sewer, or broadband infrastructure category. As a practical matter, this would allow a swap between SFRF funds appropriated to DIT for broadband programs and General Fund appropriations to DEQ for water/sewer projects. FRD estimates that between \$200 million and \$300 million of SFRF funding could be swapped under applicable federal law and guidance documents.

Section 3 would allow interest earned on certain non-SFRF ARPA funds to be used for NCPRO administration.

Section 4 would extend NCPRO authority through May 1, 2027, when US Treasury closeout of SFRF funding should be finalized, and also would require a final report to FRD and the Joint Legislative Commission on Governmental Operations regarding NCPRO activities and use of funds.

EFFECTIVE DATE: The PCS would become effective when it becomes law.

BACKGROUND: The State of NC received \$5.4 billion in federal State Fiscal Recovery Funds (SFRF) from the American Rescue Plan Act (ARPA). These funds had to be obligated by December 2024 and must be expended by December 2026. SFRF funds have several categories of eligible uses, which can be grouped into two categories:

- Flexible – Only the revenue loss/replacement categorical eligibility is flexible for NCGA use. NC’s maximum amount that could meet this category was \$3.1 billion of the \$5.4 billion. With existing enacted adjustments, staff believe these funds will be fully expended by December 2026.
- Non-flexible – All other spending categories had to meet specific federal requirements. Since the obligation deadline has passed for the various categories of non-flexible funding, options for reallocation are limited and must remain in non-flexible categories with obligations prior to 2024.

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SUMMARY OF MAJOR SFRF ADJUSTMENTS IN PRIOR ACTS:

- S.L. 2024-40:
 - Reallocated \$32.8 million from completed but underspent SFRF funded projects to Childcare Stabilization Grants.
 - Swapped \$800 million in SFRF funded water/sewer projects with net General Fund appropriations in the Department of Adult Correction (DAC).
- S.L. 2025-97, Sec. 6.9 – For FY 2025-26, allows OSBM and NCPRO to swap any flexible SFRF funds at risk of reverting with General Fund appropriations in DAC (\$155.8 million swapped in March, OSBM plans an additional swap at end of fiscal year).