



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT



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TO: Joint Legislative Commission on Governmental Operations

FROM: Kristin Walker *Kristin Walker*
State Budget Director

SUBJECT: OSBM NCORR Monthly Report for the period ending April 30, 2025

Purpose

Pursuant to SL2024-57 and SL2025-2, the Office of State Budget and Management (OSBM) is responsible for providing monthly reports for the financial monitoring of the North Carolina Office of Recovery and Resiliency (NCORR)'s programs. OSBM's responsibility includes providing budget, expenditures, and obligations related to federal and state funds allocated for disaster recovery efforts stemming from Hurricanes Matthew and Florence, as well as Tropical Storm Fred.

Scope

This financial monitoring function does not constitute an audit of information provided by NCORR or data obtained from systems supporting NCORR operations. Rather, financial monitoring is an ongoing process used to track financial and / or operational performance to ensure activities are proceeding as planned. OSBM financial monitoring includes reviewing financial information from the North Carolina Financial System, Salesforce reports, weekly HRP snapshots, and other information provided by NCORR.

OSBM's financial monitoring activities commenced in November 2024. Therefore, financial information prior to that date was not validated or verified. Further, due to significant turnover, current NCORR financial staff are making significant changes to the financial records (e.g., reclassifying incorrect transactions). Consequently, OSBM expects that future monthly reports may have differences in format and content.

On the following pages you will find financial information for each NCORR program or activity. Data provided is the budget amount (as derived from applicable federal grants and state appropriations), cumulative expenditures, and obligations through the end of each reporting month. "Funds Available" reflects the remaining unobligated balance within each program.

Homeowner Recovery Program (HRP)

The HRP provides assistance to repair, rebuild, replace or elevate homes damaged by Hurricanes Florence and Matthew or to provide reimbursements for completed repairs.

The original HRP federal budget was \$708,483,494 (per NCORR / Disaster Recovery Grants Reporting (DRGR)). In October 2024, NCORR presented a request to the NC General Assembly for supplemental state funding as the entirety of the federal grants had been exhausted or obligated. In conjunction, NCORR obtained HUD approval to transfer approximately \$44 million from other programs to be used to continue to build eligible homes. As of November 2024, the remaining federal budget for HRP was \$45,896,867 which included the HUD approved transfer and residual Matthew and Florence funds.

Since November 2024, the NC General Assembly has appropriated a total of \$297 million in general fund dollars to complete the program. These funds were placed in the Disaster Relief Reserve, and as part of OSBM's financial oversight, OSBM approves weekly expenditures based on NCORR invoices. State general funds are used to pay general contractors, expenses associated with temporary relocation assistance, and administrative costs. Obligations consist of unpaid balances on awarded contracts, flood insurance, and other costs in support of the program.

Month to Month Comparison: As expected – expenditures increased, and obligations decreased by same amount. OSBM is currently forecasting obligations at 100% of the remaining fund balances.

Homeowner Recovery	
November 1, 2024 - April 30, 2025	
Federal Budget	\$45,896,867
State Budget	\$297,000,000
Total Budget	<hr/> \$342,896,867
Expenditures	(\$152,481,086)
Federal Fund Balance	\$3,680,472
State Fund Balance	\$186,735,309
Total Fund Balance	<hr/> \$190,415,781
Obligations	(\$190,415,781)
Funds Available	<hr/> \$0

Community Development

NCORR's Community Development program provides resources to assist communities in rebuilding smarter and stronger after major disasters. By creating affordable housing and strengthening infrastructure, storm impacted communities can become more resilient and prepare for future storms.

NCORR's Community Development program consists of several distinct activities such as Affordable Housing Development, Homeowner Assistance, Housing Counseling, Public Housing Restoration and Infrastructure Recovery. Most of the expenditures and obligations in Community Development are subrecipient contracts to smaller government units to assist in recovery efforts in their respective areas.

The total federal budget for Community Development was \$183,259,398 (per NCORR / DRGR). No state general fund funding has been appropriated to supplement these programs. NCORR is in the process of transferring oversight of Community Development to another state agency.

OSBM has reviewed the mechanisms used by NCORR to track Community Development projects and spending. The records include each subrecipient award amounts, as well as disbursements and unspent funds.

Month to Month Comparison: Due to significant journal entries posted by NCORR to correct misclassifications, as well as a refund received from NCHFA, expenditures decreased while the federal fund balance and funds available increased. Obligations remained consistent with the prior month. NCORR expects to complete reclassifications of federal grant spending by the end of the December 2025 quarter.

Community Development Inception to April 30, 2025	
Federal Budget	\$183,259,398
Expenditures	(\$65,495,733)
Federal Fund Balance	\$117,763,665
Obligations	(\$109,344,555)
Funds Available	\$8,419,110

Back@Home

Back@Home focuses on reducing unsheltered and rural homelessness within the 79 county NC Balance of State Continuum of Care area. Services provided are housing stabilization, including case management and outreach, and financial assistance such as rent and utility assistance. The total federal budget for Back@Home was \$52,356,232 (per NCORR / DRGR).

NCORR is in the process of transferring Back@Home to the Department of Health and Human Services.

Month to Month Comparison: As expected – expenditures increased, and obligations were reduced by same amount.

Back @ Home	
Inception to April 30, 2025	
Federal Budget	\$52,356,232
Expenditures	<u>(\$21,837,612)</u>
Federal Fund Balance	\$30,518,620
Obligations	<u>(\$30,518,620)</u>
Funds Available	\$0

Strategic Buyout

Funds within Strategic Buyout are used to purchase properties deemed to be at the greatest risk for future storm damage. The acquired properties are cleared and permanently maintained as green space by the respective local governments.

The total federal budget for Strategic Buyout was \$35,103,334 (per NCORR / DRGR). No state appropriations supplement the program.

Strategic Buyout has been sunset by NCORR to use available funding to support the HRP. Previously approved buyout projects may be revisited after HRP is complete or if Emergency Management (transfer agency) chooses to complete the purchases.

Month to Month Comparison: Due to significant journal entries posted by NCORR to correct misclassifications, expenditures decreased while the federal fund balance and funds available increased. Obligations remained consistent with the prior month. NCORR expects to complete reclassifications of federal grant spending by the end of the December 2025 quarter.

Strategic Buyout	
Inception to April 30, 2025	
Federal Budget	\$35,103,334
Expenditures	<u>(\$31,982,582)</u>
Federal Fund Balance	\$3,120,752
Obligations	<u>(\$1,712,087)</u>
Funds Available	\$1,408,665

Other Housing / Flood Insurance

These are home recovery projects that were deemed ineligible for HRP under federal guidelines. The projects are administered through DPS and were funded by the Florence Disaster Recovery Fund.

As of June 5, funding remaining in the Florence Disaster Recovery Fund to complete these projects was transferred to DPS. The June 30 report will reflect this permanent transfer.

Month to Month Comparison: As expected – expenditures increased, and obligations and funds available decreased by same amount.

Other Housing / Flood Insurance	
Spring 2023 to April 30, 2025	
State Budget	\$12,450,000
Expenditures	<u>(\$2,714,019)</u>
State Fund Balance	\$9,735,981
Obligations	<u>(\$8,373,632)</u>
Funds Available	\$1,362,349

Resiliency

NCORR partners with local governments, state agencies, and community organizations to help NC better understand how our systems interact with nature and how we can better prepare for future storms.

Resiliency is funded with a combination of state general fund appropriations and a small corporate grant. Resiliency funding is primarily used for salaries for 7 FTEs and is funded via a \$2 million nonrecurring appropriation from the Florence Disaster Recovery Fund. SL 2025-4 allowed for a transfer of the encumbered funds in the Florence Disaster Recovery Fund to DPS to fund these positions.

The program is currently being transferred to the Department of Environmental Quality. Once at DEQ, the Resiliency team will continue to administer three projects from the Mitigation Grant funding using a subrecipient agreement with NCORR/DPS.

Month to Month Comparison: Resiliency received an additional private grant that the finance office learned about in May. The additional revenue will be reflected on the May 31 report and eliminate the small deficit fund balance in Other.

Resiliency	
Inception to April 30, 2025	
State Budget	\$2,398,210
Other Budget	\$125,000
Total Fund Balance	\$2,523,210
Expenditures	(\$2,157,029)
State Fund Balance	\$370,451
Other Fund Balance	(\$4,269)
Total Fund Balance	\$366,181
Obligations	(\$304,008)
Funds Available	\$62,173

Administration and Planning

Administration and Planning funds provide support to all NCORR programs and operations. Administration includes typical overhead expenses such as salaries and IT expenses that are not specifically allocated to a program. Planning is the broad pre-work done to ensure the grant dollars will be spent effectively when solutions are implemented.

Administration and Planning dollars are allocated across all grants (Matthew, Florence, Mitigation, TS Fred). OSBM has not reviewed or audited the allocation plans other than to monitor whether the overall funding appears to be sufficient to maintain these functions through closeout.

Month to Month Comparison: While expenditures increased and fund balance decreased as expected, obligations did not decrease by a commensurate amount. Per NCORR, there are currently expenses that are not included in their PO's and encumbrances (e.g. utilities, shipping, external audit related costs). NCORR indicates they are working on a better way to project these, so all will be included in the obligations total in the future.

Administration and Planning Inception to April 30, 2025	
Federal Budget	\$70,198,774
Expenditures	(\$51,935,716)
Federal Fund Balance	\$18,263,058
Obligations	(\$6,672,039)
Funds Available	\$11,591,019

State Loans and Grants

NCORR made loans and grants to local governments to assist in disaster recovery. The loans and grants were funded from the Florence Disaster Recovery Fund per SL2018-138, SL2019-224 and SL2019-250. The respective local governments did not request the full amounts of the approved loans, and all local agreements are now closed.

Month to Month Comparison: As expected - no changes.

State Loans and Grants Inception to April 30, 2025	
State Budget	\$44,000,000
Expenditures	(\$41,218,194)
State Fund Balance	\$2,781,806
Obligations	(\$0)
Funds Available	\$2,781,806