

Budget Act of 2026, Ch. 19., Stats. 2026

SEC. 11.96. (a) It is the intent of the Legislature in enacting this section to provide flexibility for administrative adjustments, to fully spend the \$27,017,016,860 in federal funds allocated from the Coronavirus State Fiscal Recovery Fund as authorized by the federal American Rescue Plan Act of 2021 (P.L. 117-2), that support the state's response to the COVID-19 public health emergency, address the negative economic impacts caused by COVID-19, support eligible infrastructure, or are otherwise eligible expenditures pursuant to federal law or guidance. These funds shall be deposited in the Coronavirus Fiscal Recovery Fund of 2021 and may earn interest.

(b) Except as provided in this section, allocations of these funds shall be made in the annual Budget Act or another statute. Section 28.00 does not apply to the funds described in this section.

(c) Beginning July 1, 2026, the Director of Finance may adjust any item of appropriation to reallocate funds, to ensure funds are either returned to the federal government pursuant to federal guidance and regulations or expended or encumbered by the federal deadline for other allowable activities, including, but not limited to, direct disaster response costs based upon actual expenditures, as determined by the Department of Finance, pursuant to this section, subject to notification to the Joint Legislative Budget Committee as specified in subdivision (h). If no item for a department currently exists to allow for the expenditure of funds, an item may be created for this purpose. The Controller shall shift any accounting transactions posted as directed by the Director of Finance.

(d) Until all funds are expended or encumbered, the Director of Finance shall annually report in writing by March 1 the amount of unexpended or unencumbered funds by program to the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations.

(e) All obligations from the Coronavirus Fiscal Recovery Fund of 2021 shall be liquidated by the end of the period of performance of December 31, 2026, unless the Director of Finance determines this deadline should be adjusted pursuant to any changes authorized by the federal government, including regulations or federal guidance.

(f) The Director of Finance is authorized to initiate the reversion of unspent funds from an appropriation for a specific programmatic purpose from the Coronavirus Fiscal Recovery Fund of 2021. Any unspent funds made available pursuant to this subdivision shall be allocated to direct disaster response costs based upon actual expenditures or returned to the federal government, as determined by the Department of Finance, pursuant to this section, subject to notification to the Joint Legislative Budget Committee as specified in subdivision (h).

(g) (1) Notwithstanding any other provision of law, the Director of Finance may authorize the transfer of interest earned from the Coronavirus Fiscal Recovery Fund of 2021 to the General Fund to be allocated for the following purposes:

(A) To support administrative and operational costs incurred for the programmatic purposes appropriated from the Coronavirus Fiscal Recovery Fund of 2021 until December 31, 2026.

(B) To conduct an audit or address audit findings to mitigate and ensure full compliance and use of the funds described in subdivision (a) for the intended purposes, consistent with federal requirements for any program, project, or function in the schedule of any item of appropriation in this act.

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(C) Any remaining interest, after the allocations pursuant to paragraphs (A) and (B), shall be allocated as determined by the Department of Finance.

(2) If no item for a department currently exists to allow for a General Fund allocation, pursuant to paragraph (1), an item may be created for this purpose. The funds allocated pursuant to this subdivision shall be available for encumbrance or expenditure until December 31, 2026.

(3) Any actions taken by the Director of Finance pursuant to this subdivision is subject to notification to the Joint Legislative Budget Committee as specified in subdivision (h).

(h) Adjustments, including reversions, authorized pursuant to this section shall not be expended or reverted prior to 30 days after the Director of Finance notifies the Joint Legislative Budget Committee in writing of the purposes of the planned expenditure or reversion and the justification for the amount proposed for expenditure or reversion. The Chairperson of the Joint Legislative Budget Committee, or the chairperson's designee, may shorten or waive that 30-day period by written notification to the Director of Finance.