

SLFRF Recapture and Repayment Guide

The following guidance outlines the procedures for handling recaptured and repaid funds, specifically for State and Local Fiscal Recovery Funds (SLFRF) and refinanced funds from subrecipients:

1. Refinanced Funds - Project Still Active

The department can re-obligate within the project and does not require a re-obligation form, as long as those funds are spent by the project end date. The department shall follow state fiscal rules, OSC policies and procedures (pay particular note to OSC's SLFRF REFINANCED GRANTS AND CONTRACTS Policy), and departmental policies for entering into an obligation. NOTE: The project end date is not always 12/31/26. It is important to verify the project end date in legislation.

2. Refinanced Funds - Project Has Ended

The department will return the General Funds via a modified closeout process and recertify OSC's Department Closeout form. OFFSI, OSC Compliance or Gov Ops will flag the OSC SLFRF Reporting team to rerun the project financial summary. Departments will be responsible for reducing their budget for the reversion and the OSC will complete the reversion to the General Fund on the statutorily required dates. The Eligibility Document will not be modified if the only change is for the reversion. (See OSC Alert 242.)

3. SLFRF Funds - Project Still Active

A re-obligation or reclassification request form is completed by the Strategy Officer. Once approved, if funds will be reclassified to a source outside of the reverting department, the Governor's Office (OFFSI and Ops) will determine which project(s) the funds will be allocated to. Per HB24-1466, remaining subrecipient funds must be returned to the state on December 11, 2026. If subrecipient funds are not returned to the state, the department must identify another source of funding to repay the federal funds.

4. SLFRF Funds - Project Has Ended

A reclassification request form is completed. Once approved, if reclassifying to a source outside of the reverting department, the Governor's Office (OFFSI and Ops) will determine which project(s) the reverted funds will be allocated to.

Fraud related FAQs:

1. What if returned funds involve fraud?

Fraud is an ineligible federal cost. See Treasury FAQ 17.19 which allows for reclassification of SLFRF funds. Note that fraud from all sources is reportable to the State Controller under State Fiscal Rules and appropriate actions must be taken by the department to reclaim funds spent by subrecipients fraudulently.

2. How do we handle fraud-related repayment when funds are returned in a timely manner vs collection processes that may take years?

When fraud is identified, the Strategy Officer must initiate a re-obligation or reclassification request and determine a funding source for fraudulent costs. If repayment is made during the period of performance, we will use the reclassification process to reallocate to a new project. If funds are not repaid by 12/31/2026 or not expected to be repaid at all, the department must identify another source of funding to repay the federal funds.

3. Clarity for when we repay funds vs when we reclassify.

While reclassification is one option, it is the responsibility of the state to pursue repayment of known fraud regardless of funding source. In addition, it is a Fiscal Rule violation to not report fraud to the OSC. After 12/31/2026, any SLFRF funds that become “unspent” for any reason and not able to be reclassified by February 28, 2027 will be returned to the Treasury. Any refinanced funds that are “unspent” will be transferred to the General Fund on the statutorily required dates. (See OSC Alert 242.)