

August 14, 2020

COVID-19 Direct Response – August Fiscal Update

Overall COVID-19 Direct Response Expenditures. As the worldwide pandemic continues, the State of California continues to take actions to combat COVID-19. These actions have ranged from procuring personal protective equipment, supporting the ramp-up of testing, providing guidance to industries and schools to protect public health, providing support to those disproportionately affected by the virus, and keeping an eye on emerging issues.

On the following pages are displays of expenditure assumptions and estimates as of early August 2020 as compared to 2020 Budget Act estimates. Included are expenditure estimates for 2019-20 (past year) as well as 2020-21.

As of August 2020, Finance estimates combined total costs across the 2019-20 and 2020-21 fiscal years of approximately \$7.4 billion, with an estimated net General Fund impact of approximately \$1.7 billion as compared to the \$8.6 billion total costs and \$2.1 billion net General Fund impact that was estimated at the 2020 Budget Act.

The 2020 Budget reflected a total of \$8.6 billion in state direct emergency response effort costs, of which \$5.7 billion was in estimated planned expenditures as well as an additional \$2.9 billion of contingency costs. This contingency assumption included \$716 million General Fund set aside in the Special Fund for Economic Uncertainties for the state share of costs.

The chart on the following page reflects a summary of Finance's current fund source estimates, which continue to be refined as the Administration seeks to maximize the use of federal funds, and the federal government continues to provide updated funding guidelines.

Finance notes that costs included under Other Federal Stimulus include \$173.8 million for contact tracing and \$103.3 million in additional support for child care, including personal protective equipment for child care facilities and expanded access to subsidized child care for children of essential workers and at-risk children.

| | 2020 Budget Act Estimate* | August 2020 Estimate |
|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------|
| Full General Fund | \$295,124,000 | \$75,000,000 |
| FEMA Public Assistance Program | \$7,118,665,000 | \$6,522,388,000 |
| State General Fund Share (assumes 25 percent) | \$1,779,666,250 | \$1,630,597,000 |
| Federal Disaster Relief Fund (assumes 75 percent) | \$5,338,998,750 | \$4,891,791,000 |
| Coronavirus Relief Fund | \$466,900,000 | \$488,837,000 |
| Other Federal Stimulus | \$714,350,000 | \$277,060,000 |
| Totals | \$8,595,039,000 | \$7,363,285,000 |
| *2020 Budget Act estimates have been slightly modified to reflect best point-in-time assumptions on federal funding. | | |

The charts at the end of this update display a comparison of expenditure assumptions as of 2020 Budget Act and as of August 2020 for fiscal years 2019-20 and 2020-21. Final state response operation costs continue to be reconciled as year-end financial reporting continues.

The two-year costs are estimated to decline as compared to Budget Act assumptions by approximately \$1.2 billion (including \$369.2 million General Fund).

The decreases in expenditures are attributed primarily to: (1) lower than anticipated procurement costs given lower overall costs of some supplies and some contract cancellations, and (2) medical surge cost assumptions decreasing in fiscal year 2019-20 based on lower usage and staffing needs than initially assumed.

In addition to the changes noted above, activities funded in fiscal year 2020-21 that were not yet known at the time of the 2020 Budget Act include the following:

- **Housing for the Harvest**—Providing shelter and services to those in the agriculture industry who become exposed to COVID-19 and cannot safely self-isolate due to their housing situation.
- **Project Hope**—Providing shelter and services to formerly incarcerated individuals newly released from state prison who have been exposed prior to release.

Coronavirus Relief Fund Summary. The 2020 Budget Act established a process for allocation of \$9.5 billion in Coronavirus Relief Funds (CRF) provided in the federal CARES Act. Of the funds received by the state, nearly \$6.3 billion is allocated to local governments, including \$4.5 billion to school districts and Community Colleges to support distance learning and mitigate learning loss for the changes necessitated by

the state's response to COVID-19. In July, Finance submitted required notifications to the Legislature for allocations totaling \$1.8 billion to cities and counties and \$550 million in partnership with local governments to address the spread of COVID-19 in the homeless population. Finance has been closely following guidance documents, frequently asked questions, and reporting and records retention requirements issued by the U.S. Treasury Department.

Since the budget was enacted, there have been four significant updates. The state has established processes to use these funds consistent with federal guidance and to support necessary expenditures incurred due to the COVID-19 public health emergency. Where allowable, Finance intends to use CRF to help address the state's cost-share of FEMA Public Assistance Program funding or to offset eligible General Fund costs including funds advanced pursuant to Government Code 8690.6 and through Control Section 36.00, Chapter 2, Statutes of 2020 to support the state and local emergency response to COVID-19. The figure below summarizes these state and local CRF allocations:

Coronavirus Relief Fund Allocations
(Dollars in Thousands)

| | |
|-----------------------------------------------------------------------|---------------------------|
| State Offsets: Vulnerable Populations and Public Safety | \$2,692,681 |
| Housing for Homeless Individuals and Families | \$550,000 |
| K-14 Learning Loss Mitigation | 4,493,819 |
| County Homelessness, Public Health, Public Safety, and Other Services | 1,289,065 |
| City Homelessness, Public Health, Public Safety, and Other Services | 500,000 |
| Total | <u>\$9,525,565</u> |

COVID -19 Direct Response Cost Estimates: Cumulative Total Expenditures

| Cost Category | 2020 Budget Act Estimate TOTAL | August TOTAL | Difference |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|------------------------|-------------------------|
| State Response Operations | \$589,128,000 | \$1,056,014,000 | \$466,886,000 |
| State Hospitals | \$0 | \$18,300,000 | \$18,300,000 |
| Testing | \$0 | \$16,982,000 | \$16,982,000 |
| Surge Capacity (Norwalk) | \$0 | \$1,318,000 | \$1,318,000 |
| National Guard | \$0 | \$19,329,000 | \$19,329,000 |
| Corrections and Rehabilitations | \$17,300,000 | \$458,669,000 | \$441,369,000 |
| Community Supervision | \$2,971,000 | \$10,079,000 | \$7,108,000 |
| Temporary Suspension of Prison Intake | \$14,329,000 | \$46,215,000 | \$31,886,000 |
| Reentry Housing | \$0 | \$15,000,000 | \$15,000,000 |
| Personal Protective Equipment | \$0 | \$28,281,000 | \$28,281,000 |
| Medical Surge/Tents | \$0 | \$92,893,000 | \$92,893,000 |
| Testing (Employee) | \$0 | \$196,781,000 | \$196,781,000 |
| Testing (Inmate) | \$0 | \$25,136,000 | \$25,136,000 |
| Cleaning | \$0 | \$3,590,000 | \$3,590,000 |
| Other Staffing and Operational Costs | \$0 | \$40,694,000 | \$40,694,000 |
| Other State Agency Response Operations Costs | \$571,828,000 | \$559,716,000 | -\$12,112,000 |
| Procurements | \$4,363,764,000 | \$3,705,629,000 | -\$658,135,000 |
| OES Masks Contract (Global Healthcare Product Solutions, LLC) | \$1,567,500,000 | \$920,600,000 | -\$646,900,000 |
| DGS and Other Procurements | \$2,796,264,000 | \$2,785,029,000 | -\$11,235,000 |
| Hospital and Medical Surge (to support 5,000 beds) | \$1,325,023,000 | \$621,950,000 | -\$703,073,000 |
| Staffing Costs | \$854,523,000 | \$456,373,000 | -\$398,150,000 |
| Facilities and Operating Costs | \$470,500,000 | \$165,577,000 | -\$304,923,000 |
| Hotels for Health Care Workers/Support Staff | \$507,650,000 | \$575,334,000 | \$67,684,000 |
| Housing for the Harvest | \$0 | \$50,000,000 | \$50,000,000 |
| Project Hope | \$0 | \$10,000,000 | \$10,000,000 |
| Vulnerable Population Support Services | \$321,687,000 | \$326,687,000 | \$5,000,000 |
| Homelessness Shelter Support Services (Project Roomkey--funding to locals for motel leases, etc.) | \$100,000,000 | \$100,000,000 | \$0 |
| Hotel/Motel Beds for People Experiencing Homelessness--includes Trailer Purchases | \$50,000,000 | \$50,000,000 | \$0 |
| Public Health Surge Equipment (Ventilators) and Medical Transportation Services | \$10,647,000 | \$10,647,000 | \$0 |
| Responding to COVID-19 in Residential Care Facilities | \$41,000,000 | \$41,000,000 | \$0 |
| Food Banks | \$70,000,000 | \$75,000,000 | \$5,000,000 |
| In-Home Supportive Services | \$5,040,000 | \$5,040,000 | \$0 |
| County Administration Supplemental Allocations | \$45,000,000 | \$45,000,000 | \$0 |
| Other Support Services | \$291,915,000 | \$291,921,000 | \$6,000 |
| CDPH: COVID-19 Call Center for Public Inquiries | \$23,000,000 | \$23,006,000 | \$6,000 |
| Support to Small Businesses Experiencing Hardship | \$50,000,000 | \$50,000,000 | \$0 |
| Expanded Access to Subsidized Child Care for Children of Essential Workers and At-Risk Children | \$50,000,000 | \$50,000,000 | \$0 |
| Face Coverings, Gloves, and Cleaning for Child Care Facilities | \$50,000,000 | \$50,000,000 | \$0 |
| CalWORKs Stage One Child Care Provider Reimbursements, Child Welfare Services | \$42,610,000 | \$42,610,000 | \$0 |
| COVID-19 Parity Benefit for Immigrants and Eight Immigrant Opportunity Hubs, Pandemic EBT Benefits, and Child Welfare Services | \$76,305,000 | \$76,305,000 | \$0 |
| Statewide Testing | \$527,000,000 | \$527,000,000 | \$0 |
| Expand Laboratory Capacity | \$1,420,000 | \$1,420,000 | \$0 |
| Other Statewide Testing | \$525,580,000 | \$525,580,000 | \$0 |
| Contact Tracing and Tracking | \$173,750,000 | \$173,750,000 | \$0 |
| Case Identification and Contact Tracing | \$27,400,000 | \$27,400,000 | \$0 |
| Other Statewide Contact Tracing and Tracking | \$146,350,000 | \$146,350,000 | \$0 |
| Other Response Costs / Great Plates Delivered | \$495,122,000 | \$25,000,000 | -\$470,122,000 |
| Totals | \$8,595,039,000 | \$7,363,285,000 | -\$1,231,754,000 |

COVID -19 Direct Response Cost Estimates: Estimated Expenditures for 2019-20

| Cost Category | 2020 Budget Act Estimate for 2019-20 | August Estimate for 2019-20 | 2019-20 Est. Difference (August estimate compared to Budget Act) |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------|------------------------------------------------------------------|
| State Response Operations | \$170,990,000 | \$187,876,000 | \$16,886,000 |
| State Hospitals | \$0 | \$500,000 | \$500,000 |
| Testing | \$0 | \$500,000 | \$500,000 |
| National Guard | \$0 | \$5,829,000 | \$5,829,000 |
| Corrections and Rehabilitations | \$17,300,000 | \$134,785,000 | \$117,485,000 |
| Community Supervision | \$2,971,000 | \$2,971,000 | \$0 |
| Temporary Suspension of Prison Intake | \$14,329,000 | \$31,215,000 | \$16,886,000 |
| Personal Protective Equipment | \$0 | \$28,281,000 | \$28,281,000 |
| Medical Surge/Tents | \$0 | \$22,217,000 | \$22,217,000 |
| Testing (Employee) | \$0 | \$3,881,000 | \$3,881,000 |
| Testing (Inmate) | \$0 | \$3,536,000 | \$3,536,000 |
| Cleaning | \$0 | \$1,990,000 | \$1,990,000 |
| Other Staffing and Operational Costs | \$0 | \$40,694,000 | \$40,694,000 |
| Other State Agency Response Operations Costs | \$153,690,000 | \$46,762,000 | -\$106,928,000 |
| Procurements | \$2,891,264,000 | \$1,077,478,000 | -\$1,813,786,000 |
| OES Masks Contract (Global Healthcare Product Solutions, LLC) | \$1,045,000,000 | \$412,143,000 | -\$632,857,000 |
| DGS and Other Procurements | \$1,846,264,000 | \$665,335,000 | -\$1,180,929,000 |
| Hospital and Medical Surge (to support 5,000 beds) | \$283,120,000 | \$83,705,000 | -\$199,415,000 |
| Staffing Costs | \$148,520,000 | \$22,633,000 | -\$125,887,000 |
| Facilities and Operating Costs | \$134,600,000 | \$61,072,000 | -\$73,528,000 |
| Hotels for Health Care Workers/Support Staff | \$30,000,000 | \$15,177,000 | -\$14,823,000 |
| Vulnerable Population Support Services | \$271,687,000 | \$276,687,000 | \$5,000,000 |
| Homelessness Shelter Support Services (Project Roomkey--funding to locals for motel leases, etc.) | \$100,000,000 | \$100,000,000 | \$0 |
| Hotel/Motel Beds for People Experiencing Homelessness--includes Trailer Purchases | \$50,000,000 | \$50,000,000 | \$0 |
| Public Health Surge Equipment (Ventilators) and Medical Transportation Services | \$10,647,000 | \$10,647,000 | \$0 |
| Responding to COVID-19 in Residential Care Facilities | \$41,000,000 | \$41,000,000 | \$0 |
| Food Banks | \$20,000,000 | \$25,000,000 | \$5,000,000 |
| In-Home Supportive Services | \$5,040,000 | \$5,040,000 | \$0 |
| County Administration Supplemental Allocations | \$45,000,000 | \$45,000,000 | \$0 |
| Other Support Services | \$274,662,000 | \$278,017,000 | \$3,355,000 |
| CDPH: COVID-19 Call Center for Public Inquiries | \$5,747,000 | \$9,102,000 | \$3,355,000 |
| Support to Small Businesses Experiencing Hardship | \$50,000,000 | \$50,000,000 | \$0 |
| Expanded Access to Subsidized Child Care for Children of Essential Workers and At-Risk Children | \$50,000,000 | \$50,000,000 | \$0 |
| Face Coverings, Gloves, and Cleaning for Child Care Facilities | \$50,000,000 | \$50,000,000 | \$0 |
| CalWORKs Stage One Child Care Provider Reimbursements, Child Welfare Services | \$42,610,000 | \$42,610,000 | \$0 |
| COVID-19 Parity Benefit for Immigrants and Eight Immigrant Opportunity Hubs, Pandemic EBT Benefits, and Child Welfare Services | \$76,305,000 | \$76,305,000 | \$0 |
| Statewide Testing | \$77,000,000 | \$77,000,000 | \$0 |
| Expand Laboratory Capacity | \$1,420,000 | \$1,420,000 | \$0 |
| Other Statewide Testing | \$75,580,000 | \$75,580,000 | \$0 |
| Contact Tracing and Tracking | \$48,750,000 | \$27,022,000 | -\$21,728,000 |
| Case Identification and Contact Tracing | \$27,400,000 | \$5,672,000 | -\$21,728,000 |
| Other Statewide Contact Tracing and Tracking | \$21,350,000 | \$21,350,000 | \$0 |
| Other Response Costs | \$195,122,000 | \$0 | -\$195,122,000 |
| Totals | \$4,242,595,000 | \$2,022,962,000 | -\$2,219,633,000 |

Note that departments have not completed year-end close out and the 2019-20 figures may still change.

COVID -19 Direct Response Cost Estimates: Projected Expenditures for 2020-21

| Cost Category | 2020 Budget Act Estimate for 2020-21 | August Estimate for 2020-21 | 2020-21 Est. Difference (August estimate compared to Budget Act) |
|---------------------------------------------------------------|---------------------------------------------|------------------------------------|-------------------------------------------------------------------------|
| State Response Operations | \$418,138,000 | \$868,138,000 | \$450,000,000 |
| State Hospitals | \$0 | \$17,800,000 | \$17,800,000 |
| Testing | \$0 | \$16,482,000 | \$16,482,000 |
| Surge Capacity (Norwalk) | \$0 | \$1,318,000 | \$1,318,000 |
| National Guard | \$0 | \$13,500,000 | \$13,500,000 |
| Corrections and Rehabilitations | \$0 | \$323,884,000 | \$323,884,000 |
| Community Supervision | \$0 | \$7,108,000 | \$7,108,000 |
| Temporary Suspension of Prison Intake | \$0 | \$15,000,000 | \$15,000,000 |
| Reentry Housing | \$0 | \$15,000,000 | \$15,000,000 |
| Medical Surge/Tents | \$0 | \$70,676,000 | \$70,676,000 |
| Testing (Employee) | \$0 | \$192,900,000 | \$192,900,000 |
| Testing (Inmate) | \$0 | \$21,600,000 | \$21,600,000 |
| Cleaning | \$0 | \$1,600,000 | \$1,600,000 |
| Other State Agency Response Operations Costs | \$418,138,000 | \$512,954,000 | \$32,515,000 |
| Procurements | \$1,472,500,000 | \$2,628,151,000 | \$1,155,651,000 |
| OES Masks Contract (Global Healthcare Product Solutions, LLC) | \$522,500,000 | \$508,457,000 | -\$14,043,000 |
| DGS and Other Procurements | \$950,000,000 | \$2,119,694,000 | \$1,169,694,000 |
| Hospital and Medical Surge (to support 5,000 beds) | \$1,041,903,000 | \$538,245,000 | -\$503,658,000 |
| Staffing Costs | \$706,003,000 | \$433,740,000 | -\$272,263,000 |
| Facilities and Operating Costs | \$335,900,000 | \$104,505,000 | -\$231,395,000 |
| Hotels for Health Care Workers/Support Staff | \$477,650,000 | \$560,157,000 | \$82,507,000 |
| Housing for the Harvest | \$0 | \$50,000,000 | \$50,000,000 |
| Project Hope | \$0 | \$10,000,000 | \$10,000,000 |
| Vulnerable Population Support Services | \$50,000,000 | \$50,000,000 | \$0 |
| Food Banks | \$50,000,000 | \$50,000,000 | \$0 |
| Other Support Services | \$17,253,000 | \$13,904,000 | -\$3,349,000 |
| CDPH: COVID-19 Call Center for Public Inquiries | \$17,253,000 | \$13,904,000 | -\$3,349,000 |
| Statewide Testing | \$450,000,000 | \$450,000,000 | \$0 |
| Contact Tracing and Tracking | \$125,000,000 | \$146,728,000 | \$21,728,000 |
| Case Identification and Contact Tracing | \$0 | \$21,728,000 | \$21,728,000 |
| Other Statewide Contact Tracing and Tracking | \$125,000,000 | \$125,000,000 | \$0 |
| Other Response Costs / Great Plates Delivered | \$300,000,000 | \$25,000,000 | -\$275,000,000 |
| Totals | \$4,352,444,000 | \$5,340,323,000 | \$987,879,000 |