

BUDGET LETTER

	NUMBER: 23-04
SUBJECT: COVID-19 FEDERAL FUNDS COST TRACKING AND RECOVERY	DATE ISSUED: May 2, 2023
REFERENCES: BUDGET LETTERS 21-03, 21-28, 20-32, AND 20-12; STATE ADMINISTRATIVE MANUAL SECTION 912	SUPERSEDES: 21-03

TO: Agency Secretaries
Department Directors
Department Budget and Accounting Officers
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) summarizes and updates current tracking, accounting, and cost reporting requirements specified in previous budget letters and drills, including the COVID-19 Federal Tracking Portal.

With the end of California's COVID-19 State of Emergency on February 28, 2023, and in preparation for the end of the national emergency and Public Health Emergency declarations for COVID-19 on May 11, 2023, it is important for departments to track and report their final actual COVID-19 response expenditures to the Office of Emergency Services (Cal OES), as indicated below, by September 2023 for 2024-25 budget development purposes. Additionally, notwithstanding the closure of the state and national emergencies, many federal stimulus grants and awards received by departments will continue to be expended beyond May 11, 2023. Periodic reporting to Finance on the expenditure of these funds will continue to be required.

Departments must provide up-to-date, accurate data on COVID-19 related costs, as well as the receipt and expenditure of federal stimulus funds. Where there is overlap in COVID-19 reporting (the same category of expenditure or data fields such as actual expenditures), the information provided by departments must be consistent across these drills. If the data is not consistent, departments must provide an explanation to Cal OES or their Finance Budget Analyst, as appropriate, when the data is reported.

For the purposes of this budget letter and the budget letters referenced herein, the following definitions apply:

- **Direct Disaster Response**—These are primarily costs driven by the statewide Unified Coordination Group, operating through the California State Operation Center, and its public health and statewide response operations decisions for extraordinary activities beyond regular government operations. These activities include but are not limited to: (1) preparing for and implementing statewide hospital and medical surge capacity, (2) procuring a statewide supply of personal protective equipment to support state and local government operations as well as essential industries, (3) statewide testing, and (4) vaccine distribution and administration.

- **Indirect Response**—These are costs related to adaptations necessary to sustain continuity of regular government operations—such as telework equipment or adaptation of a business process to support normal business operation activities. These costs are primarily being collected for potential FEMA (Federal Emergency Management Agency) reimbursement or other eligible federal fund usage/draw down. These include other state agency operational costs outside of the main State Operation Center/mission tasking activities.

As outlined in BL 20-12, agencies and departments must accurately and consistently track COVID-19 expenditures in the Financial Information System for California (FI\$Cal), regardless of fund source. BL 20-12 directed departments to use COVID-19 FI\$Cal attributes (or similar coding if not transacting in FI\$Cal) to monitor and standardize the reporting of these transactions using the following categories:

- **COVID-19 Response**—Various activities that support the emergency response undertaken by departments in direct response to the pandemic.
- **Testing and Contact Tracing**—Activities that support **state** testing and contact tracing.
- **COVID-19 Stimulus Programs**—Federal stimulus funds that flow through the state.

Departments should continue to use the specified COVID-19 FI\$Cal attributes to support accurate and consistent accounting and reporting of these costs, and to facilitate cost recovery. Departments that received State Fiscal Recovery Funds (SFRF) should continue to use the State Fiscal Recovery Fund 8506 attribute per BL 21-28, not COVID-19 Stimulus Programs.

COVID-19 Cost Reporting and Recovery

Primary Purpose: To capture state expenditures in support of COVID-19 related activities. This cost reporting requires specified departments and agencies to provide updates of total cost estimates and actual expenditures to date associated with COVID-19 related response activities—this should include costs related to both direct response and indirect response activities. This information has been utilized to identify when departments and agencies have needed funding to support these activities, identify potential federal funding sources for these costs, make informed financial decisions, and provide fiscal update reporting to the Legislature and the public.

Cal OES has assumed responsibility for collecting and compiling disaster response cost reporting that has previously been reported by departments to Finance pursuant to Budget Letters [20-32](#) and [21-03](#). In the report due March 1, 2023, departments were required to provide actual expenditures for 2019-20, 2020-21, 2021-22, and to date for 2022-23, broken down by fund source—General Fund, other state funds, FEMA funding, and other federal funding. This information is needed to determine the fund split by fiscal year for budgeting purposes.

Consistent with the end of the COVID-19 emergency incident period and the Public Health Emergency on May 11, 2023, departments should no longer incur COVID response costs beginning on May 12, 2023. Cal OES is currently working with departments that incurred FEMA-eligible costs in 2022-23 so that claims for the period of July 2, 2022, through May 11, 2023, may be reviewed by Cal OES and submitted to FEMA in accordance with its deadlines. Departments must submit 2022-23 COVID costs by July 1, 2023, to Cal OES to ensure adequate time for review and timely submission to FEMA. For cost tracking purposes, departments should report the amount submitted through Cal OES to FEMA for reimbursement for costs incurred through July 1, 2022, as well as projected reimbursements for July 2, 2022, through May 11, 2023.

Affected Departments: Departments that have been directed to continue reporting COVID-19 cost information.

FI\$Cal Attributes: "COVID-19 Response" and, for testing costs and contact tracing costs that are not related to staff redirected to the contact tracing program, "Testing and Contact Tracing". Departments should no longer use these attributes after May 11, 2023.

Frequency: The data provided by departments in March 2023 will be used to estimate costs for the May Revision. CalOES will contact departments with details regarding the final report, which will be due by no later than September 2023. It is expected that actual expenditure amounts for all costs incurred prior to May 12, 2023, will be available and included in this round of reporting. If this will not be possible, departments must communicate to Cal OES as early as possible, and an additional round of cost reporting may be necessary to collect any outstanding actual expenditure amounts. Positive reporting to the Disaster Cost Recovery inbox is required. Certain departments that have direct response costs that may be eligible for SFRF will be contacted separately by Finance regarding any additional reporting requirements.

Contact: Please email disastercostrecovery@caloes.ca.gov if you have any questions or need additional assistance with COVID-19 cost reporting.

COVID-19 Federal Stimulus Tracking

Primary Purpose: To identify all federal COVID-19 stimulus funding awards and track obligations/encumbrances and expenditures of those funds. In December 2020, Finance launched a web portal (see resources below) for tracking awards, encumbrances, and actual expenditures of federal stimulus funds. This data is published on Finance's website. In addition to supporting data transparency, information collected through the portal has also been used to identify any federal funding sources for COVID-19 direct response costs.

Departments should update expenditures and obligations for awards received from the stimulus bills, as well as create records for tracking any new stimulus awards. In addition, departments should identify any COVID-19 stimulus awards in the portal that have partially or fully offset direct disaster response costs based on the definition noted above. All awards, existing and new, should also have award expiration dates filled out.

As a reminder, departments should not report on SFRF expenditures in the COVID Federal Funding portal per BL [21-28](#). This information is instead collected in the SFRF portal for federal reporting purposes.

Affected Departments: All departments receiving federal COVID-19 stimulus awards and grants.

FI\$Cal Attribute: "COVID-19 Stimulus Programs"

Frequency: The next portal update will be due by noon, May 29, 2023. Periodic updates thereafter will be required in the fall and spring to align with the release of the Governor's Budget and May Revision.

DOF Contact: COVIDFederalTracking@dof.ca.gov and Finance Budget Analyst.

Resources: Please see the user guide, training video, and FAQs on Finance's website at [COVID Federal Tracking Portal | Department of Finance \(ca.gov\)](#). If you have any questions regarding this BL, please contact your assigned Finance Budget Analyst.

/s/Erica Gonzales

Erica Gonzales
Program Budget Manager