



November 23, 2020

Honorable Holly Mitchell, Chair  
Joint Legislative Budget Committee  
Senate Budget and Fiscal Review Committee

Honorable Phil Ting, Chair  
Assembly Budget Committee

Honorable Anthony Portantino, Chair  
Senate Appropriations Committee

Honorable Lorena Gonzalez, Chair  
Assembly Appropriations Committee

### **Disaster Response-Emergency Operations Account—COVID-19 Allocation**

Pursuant to the provisions of Government Code section 8690.6, the following report is respectfully submitted.

On March 4, 2020, Governor Newsom proclaimed a state of emergency for an outbreak of a respiratory illness due to a novel coronavirus (COVID-19). Government Code section 8690.6 makes Disaster Response-Emergency Operations Account (DREOA) funds available, upon allocation by the Director of Finance, to state agencies for disaster response operations costs incurred for activities occurring within 120 days of a proclamation by the Governor of a state emergency. This statute also authorizes the use of DREOA for activities that occur beyond the initial 120 days of an emergency proclamation, subject to specified conditions and notification by the Director of Finance to the Joint Legislative Budget Committee. Most recently, consistent with the provisions of Government Code section 8690.6, an October 28, 2020 notification extended the use of DREOA funding for COVID-19-related disaster response operations costs.

Since March, 2020, Finance has provided updates and written notifications to the Legislature regarding approximately \$4.050 billion in transfers and appropriations in the 2019-20 and 2020-21 fiscal years that were authorized through a combination of DREOA, Control Section 36.00 of the 2019 Budget Act, and the 2020 Budget Act. This includes the \$1.831 billion DREOA allocation Finance notified the Joint Legislative Budget Committee of in a May 21, 2020 letter.

In a November 6, 2020 COVID-19 Fiscal Update letter, Finance estimated the state's emergency response-related expenditures at approximately \$9.8 billion, with a net General Fund impact of approximately \$1.3 billion. In order to continue the state's COVID-19 response efforts, and consistent with the expenditure estimates provided in the November 6, 2020 COVID-19 Fiscal Update letter, the Director of Finance is allocating an additional \$1.5 billion from DREOA pursuant to Government Code section 8690.6.

This \$1.5 billion is necessary to continue pandemic response actions, including, but not limited to:

- Procurement—Costs associated with procurement-related activities and invoices, such as personal protective equipment and medical supplies and equipment as well as other equipment, supplies, and services.
- Statewide Testing—Costs associated with state laboratory testing as well as updates and amendments to existing statewide testing contracts for specimen collection and transportation.
- Contact Tracing and Tracking—Costs to support ongoing statewide contact tracing and tracking.
- Hospital and Medical Surge—Costs associated with continuing to maintain capacity to support up to 5,000 beds in the event of a surge in cases.
- Hotels for Healthcare Workers and Support Staff—Costs for hotels for medical staff who care for or come into contact with COVID-19 patients in the medical system and who cannot self-isolate at home have been provided free or low-cost hotel accommodations.
- State Response Operations and Other Support Services—Costs for ongoing state response activities.
- Vaccine Task Force—anticipated costs associated with initial Vaccine Task Force needs.
- Public Awareness and Community Outreach Campaign—Costs associated with continuing the state's Public Awareness and Community Outreach Campaign.

Although the state is required to pay for many of these costs up front, as noted in the November Fiscal Update, it is anticipated approximately \$8.5 billion of the total \$9.8 billion estimated expenditures will ultimately be reimbursed or paid through federal or private funds. The state continues to work to maximize federal cost sharing and private reimbursement for appropriate and eligible costs.

If you have any questions or need additional information regarding this matter, please call Teresa Calvert, Assistant Program Budget Manager, or Stephen Benson, Principal Program Budget Analyst at (916) 324-0043.

KEELY MARTIN BOSLER

Director

By:



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Chief Deputy Director

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