

November 6, 2020

COVID-19 Direct Response—November Fiscal Update

Overall COVID-19 Direct Response Expenditures: As COVID-19 cases surge nationwide, the State of California continues to take actions to combat the pandemic. These actions have ranged from procuring personal protective equipment and implementing state testing to providing public health guidance to industries and schools, as well as continuing to provide support to those disproportionately affected by the virus.

This update outlines expenditure assumptions and estimates as of early November 2020 compared to August 2020 estimates.

Finance currently estimates combined total costs across the 2019-20 and 2020-21 fiscal years of approximately \$9.8 billion, with an estimated net General Fund impact of approximately \$1.3 billion. This compares to the \$7.4 billion total costs and \$1.7 billion net General Fund impact that was estimated in August. While the total costs increased overall, the General Fund impact decreased as the Coronavirus Relief Fund and other federal funds are being used to offset a greater share of these costs, consistent with the 2020 Budget Act.

As another point of comparison, the 2020 Budget reflected a total of \$8.6 billion in state direct emergency response costs across the same two fiscal years, 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 following chart summarizes Finance's current funding estimates. These estimates will continue to be refined as the Administration seeks to maximize the use of federal funds.

	August 2020 Estimate	November 2020 Estimate
General Fund	\$1,705,597,000	\$1,323,877,000
FEMA Public Assistance Program	\$4,891,791,000	\$5,779,965,000
Coronavirus Relief Fund (CRF)	\$488,837,000	\$1,933,924,000
Other Federal Funds	\$277,060,000	\$730,993,000
Private Funds	\$0	\$38,000,000
Totals	\$7,363,285,000	\$9,806,759,000

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

Compared to the August estimates, the two-year costs are projected to increase by approximately \$2.4 billion. This increase is attributable primarily to the following factors:

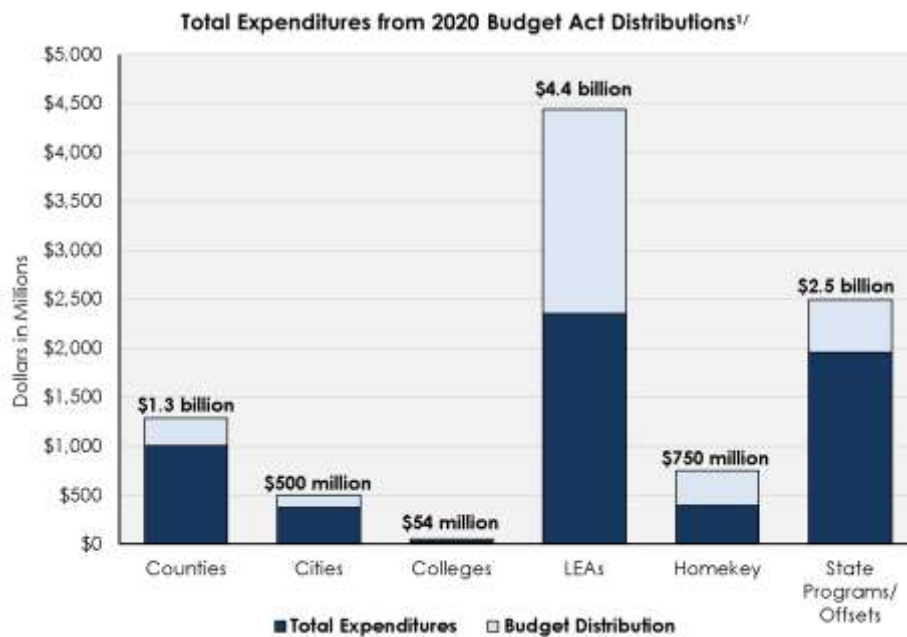
- State Laboratory Testing—To accelerate testing turnaround times, the California Department of Public Health has contracted to build new in-state laboratory capacity to expand testing by up to 150,000 diagnostic tests per day with a contractual turnaround time of 24 to 48 hours. This new testing capacity is intended to be additive to the capacity previously available in the network of laboratories. Laboratory costs are currently estimated at a contract maximum of \$1.75 billion. Actual costs will depend upon utilization, federal reimbursements, and the extent to which costs are recovered from insurers.
- Updates and amendments to existing testing contracts for specimen collection related to the new state laboratory capacity (\$318 million).
- Public Awareness and Community Outreach Campaign—Consistent with the funding provided in Chapter 40, Statutes of 2020 (SB 115), this November cost estimate includes \$62.5 million General Fund for the Department of Social Services (\$30 million) and the Labor and Workforce Development Agency (\$32.5 million) for outreach focused on communities and economic sectors that are disproportionately impacted by the virus, as well as essential workers and their families.

Coronavirus Relief Fund Summary. The 2020 Budget Act established a process to allocate \$9.5 billion in 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.

Finance reported expenditures and obligations for the first federal CRF reporting cycle and posted this data to our COVID-19 [webpage](#) to provide transparency in reporting how these

funds are being spent in the September Interim Fiscal Update. This first quarterly report detailed expenditures and obligations totaling nearly \$2.5 billion incurred between March 1, 2020 and June 30, 2020. Expenditures and obligations for the second quarter will be posted shortly that reflect cumulative expenditures and obligations totaling more than \$6.1 billion, over 64 percent of the total funding, through September 30, 2020. Of this amount, approximately \$1.6 billion will offset state General Fund costs, including use of CRF where allowable, to help address the state's cost share of FEMA Public Assistance Program.

The figure below summarizes expenditures in the state and local allocation categories authorized in the Budget, as revised pursuant to the provisions of Control Section 11.90. These adjustments provided additional funding for Homekey, food, diaper supplies, and child care.



^{1/} Adjusted pursuant to Control Section 11.90.

COVID -19 Direct Response Cost Estimates: Total Expenditures

Cost Category	August Update TOTAL	November Update TOTAL	Difference
State Response Operations	\$1,056,014,000	\$1,409,725,000	\$353,711,000
State Hospitals	\$18,300,000	\$82,759,000	\$64,459,000
Testing	\$16,982,000	\$37,102,000	\$20,120,000
Surge Capacity (Norwalk)	\$1,318,000	\$2,629,000	\$1,311,000
Other Staffing and Operational Costs	\$0	\$43,028,000	\$43,028,000
National Guard	\$19,329,000	\$25,588,000	\$6,259,000
Corrections and Rehabilitations	\$458,669,000	\$769,451,000	\$310,782,000
Community Supervision	\$10,079,000	\$10,079,000	\$0
Temporary Suspension of Prison Intake	\$46,215,000	\$139,500,000	\$93,285,000
Reentry Housing	\$15,000,000	\$15,000,000	\$0
Personal Protective Equipment	\$28,281,000	\$50,980,000	\$22,699,000
Medical Surge/Tents	\$92,893,000	\$120,647,000	\$27,754,000
Testing (Employee)	\$196,781,000	\$143,671,000	-\$53,110,000
Testing (Inmate)	\$25,136,000	\$94,797,000	\$69,661,000
Cleaning	\$3,590,000	\$49,083,000	\$45,493,000
Other Staffing and Operational Costs	\$40,694,000	\$145,694,000	\$105,000,000
Other State Agency Response Operations Costs	\$559,716,000	\$531,927,000	-\$27,789,000
Procurements	\$3,705,629,000	\$3,465,622,000	-\$240,007,000
OES Masks Contract (Global Healthcare Product Solutions, LLC)	\$920,600,000	\$920,600,000	\$0
DGS and Other Procurements	\$2,785,029,000	\$2,545,022,000	-\$240,007,000
Hospital and Medical Surge (to support 5,000 beds)	\$621,950,000	\$617,337,000	-\$4,613,000
Staffing Costs	\$456,373,000	\$371,940,000	-\$84,433,000
Facilities and Operating Costs	\$165,577,000	\$245,397,000	\$79,820,000
Hotels for Health Care Workers/Support Staff	\$575,334,000	\$202,361,000	-\$372,973,000
Housing for the Harvest	\$50,000,000	\$3,783,000	-\$46,217,000
Project Hope	\$10,000,000	\$752,000	-\$9,248,000
Vulnerable Population Support Services	\$326,687,000	\$406,740,000	\$80,053,000
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	\$0	-\$10,647,000
Responding to COVID-19 in Residential Care Facilities	\$41,000,000	\$41,200,000	\$200,000
Food Banks	\$75,000,000	\$165,500,000	\$90,500,000
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	\$291,921,000	\$277,599,000	-\$14,322,000
CDPH: COVID-19 Call Center for Public Inquiries	\$23,006,000	\$23,006,000	\$0
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	\$28,288,000	-\$14,322,000
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	\$2,711,335,000	\$2,184,335,000
Expand Laboratory Capacity	\$1,420,000	\$1,420,000	\$0
PerkinElmer	\$0	\$1,750,375,000	\$1,750,375,000
Logistics Health, Inc. (Optum)	\$0	\$477,000,000	\$477,000,000
FedEx Specimen Transportation	\$0	\$20,000,000	\$20,000,000
Other Statewide Testing	\$525,580,000	\$462,540,000	-\$63,040,000
Contact Tracing and Tracking	\$173,750,000	\$499,005,000	\$325,255,000
Case Identification and Contact Tracing	\$27,400,000	\$27,400,000	\$0
Other Statewide Contact Tracing and Tracking	\$146,350,000	\$471,605,000	\$325,255,000
Vaccine Task Force	\$0	TBD	TBD
Other Response Costs / Great Plates Delivered	\$25,000,000	\$50,000,000	\$25,000,000
Community Engagement	\$0	\$162,500,000	\$162,500,000
Totals	\$7,363,285,000	\$9,806,759,000	\$2,443,474,000