



May 21, 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 Operation Account—COVID-19 Direct Response Operations**

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

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 operation costs incurred as a result of a proclaimed state of emergency.

On March 4, 2020, Governor Newsom proclaimed a state of emergency for an outbreak of a respiratory illness due to a novel coronavirus, a disease known as COVID-19. On March 22, 2020, a Presidential Major Disaster Declaration was issued.

Since March 18, 2020, Finance has sent written notification and provided numerous briefings to the Legislature on approximately \$2.2 billion in allocations from DREOA and Control Section 36.00 associated with COVID-19 response. In order to continue these efforts through June 30, 2020, it is estimated that an additional \$1.831 billion is necessary (as detailed in the cost estimate attached); therefore, Finance will transfer this amount to DREOA.

This \$1.831 billion DREOA transfer is necessary to continue emergency response actions through the end of the current fiscal year, as follows:

- Procurements—\$1.3 billion to procure personal protective equipment. The state has been able to secure a dependable supply of medical-grade masks and has also procured other critical supplies, such as medical equipment, gloves, and gowns.

- Hospital and Medical Surge—\$251.7 million to establish and support over 3,000 beds.
- Hotels for Healthcare Workers and Support Staff—\$30 million for hotels for 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—\$159.4 million to cover costs for ongoing state response activities, as well as the call center for the general public.
- Testing, Contact Tracing and Tracking—\$98.4 million to support statewide testing and contact tracing and tracking.

Consistent with previous COVID-19-related expenditures, it is estimated that approximately 75 percent of these costs will be reimbursed from federal FEMA funding.

The May Revision reflects \$1.5 billion in 2020-21 for continuing commitments to respond to the COVID-19 emergency:

- Procurements—\$500 million for continued deliveries of procurements for personal protective equipment.
- Hospital and Medical Surge—\$347.2 million to support up to 5,000 beds, if necessary.
- Support for Vulnerable Populations—\$50 million for additional food purchases for food banks.
- Other Support Services—\$17.3 million to maintain the COVID-19 call center for the general public.
- Testing, Contact Tracing and Tracking—\$575 million to support statewide testing and contact tracing and tracking.

In our April 10, 2020, COVID-19 Interim Fiscal Update letter, Finance's preliminary estimate of the state's emergency response-related expenditures through 2020 was approximately \$7 billion. Based on the most recent estimates of expenditures already made, as well as existing commitments, the Administration's May Revision reflects \$5.7 billion in expenditures for these known costs. The Administration also intends to submit an additional DREOA notification letter on July 1<sup>st</sup> for budget year costs associated with continuing commitments.

However, there remains significant concern about a potential second wave of COVID-19 infections this fall, after the Legislature's planned adjournment. To prepare for such a potential outbreak, the May Revision proposes a \$2.9 billion contingency reserve for COVID-19 related response expenditures (planned expenditures are detailed in the attached cost estimate). Consistent with the language approved in SB 89, this contingency reserve proposal contains similar legislative notification requirements before expenditures are made. If additional expenditures are needed during the legislative session beyond the amounts identified in the contingency, the Administration will work with the Legislature on specific supplemental appropriations.

The following chart reflects the DREOA transfer noticed by this letter, as well as a summary of the estimated COVID-19 expenditures reflected in May Revision. Of particular note, since the release of the May Revision, the federal government is continuing to update its guidelines on the eligible purposes of federal funding. The Administration is committed to maximizing the use of these federal funds.

<b>May Revision COVID-19 Estimated Expenditures</b> (\$ in millions)			
<i>Expenditure Allocations</i>	<i>Planned Expenditures</i>	<i>Contingency Reserve</i>	<i>Total</i>
Allocated to Date	\$2,216	\$0	\$2,216
<b>May 21st DREOA Allocation</b>	<b>\$1,831</b>	<b>\$0</b>	<b>\$1,831</b>
Remaining 2019-20 Control Section 36 Allocations (as of 5/14/20)	\$195	\$0	\$195
2020-21 Funding Ongoing Commitments	\$1,490	\$0	\$1,490
2020-21 Proposed Control Section 36	\$0	\$2,863	\$2,863
<b>Total Estimated Expenditures</b>	<b>\$5,732</b>	<b>\$2,863</b>	<b>\$8,595</b>

<i>Fund Source</i>	<i>Planned Expenditures</i>	<i>Contingency</i>	<i>Total</i>
Estimated FEMA Reimbursement	\$3,953	\$2,147	\$6,100
Potential Coronavirus Relief Fund Offsets	\$467	\$0	\$467
Additional Federal Offsets	\$103	\$0	\$103
Potential Net General Fund*	\$1,209	\$716	\$1,925

\*Post May Revision: There are other potential federal fund offsets not reflected in these expenditures at May Revision, pending confirmation of allowable uses of federal funding for a testing and contact tracing program. In addition, the federal government recently announced that states may use Coronavirus Relief Fund for the state cost share of FEMA reimbursements.

This notification letter also includes an attachment reflecting additional details of currently estimated COVID-19 expenditures reflected in May Revision.

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

KEELY MARTIN BOSLER

Director

By:

/s/ Vivek Viswanathan

VIVEK VISWANATHAN

Chief Deputy Director

Attachment

cc: Honorable Shirley Weber, Chair, Assembly Budget Subcommittee No. 5  
Honorable Nancy Skinner, Chair, Senate Budget and Fiscal Review Subcommittee No. 5  
Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee  
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee  
Gabriel Petek, Legislative Analyst (3)  
Joe Stephenshaw, Staff Director, Senate Budget and Fiscal Review Committee  
Kirk Feely, Budget Fiscal Director, Senate Republican Fiscal Office  
Christopher W. Woods, Senate President pro Tempore's Office (2)  
Christian Griffith, Chief Consultant, Assembly Budget Committee  
Cyndi Hillery, Budget Director, Assembly Republican Caucus, Office of Policy and Budget  
Jayme Chick, Deputy Chief of Staff, Policy, Assembly Republican Leader's Office  
Alex Khan, Chief Consultant, Assembly Republican Leader's Office  
Jason Sisney, Assembly Speaker's Office (2)  
Mark McKenzie, Staff Director, Senate Appropriations Committee  
Jay Dickenson, Chief Consultant, Assembly Appropriations Committee

**2020-21 May Revision COVID-19 Cost Estimate**

<b>Cost Category</b>	<b>2019-20 Previously Allocated</b>	<b>May 21 Remaining 2019-20 DREOA Allocation</b>	<b>Remaining 2019-20 CS 36.00</b>	<b>2020-21 Funding for Continuing Commitments</b>	<b>2020-21 Contingency</b>	<b>TOTAL</b>
State Response Operations	\$0	\$153,690,000	\$0	\$0	\$418,138,000	\$571,828,000
Procurements	\$1,599,692,864	\$1,291,571,136	\$0	\$500,000,000	\$972,500,000	\$4,363,764,000
DGS Bulk Procurements	\$1,000,000,000	\$661,364,000	\$0	\$500,000,000	\$400,000,000	\$2,561,364,000
SOC Purchases	\$0	\$135,000,000	\$0	\$0	\$50,000,000	\$185,000,000
OES Masks Contract (Global Healthcare Product Solutions, LLC)	\$599,692,864	\$445,307,136	\$0	\$0	\$522,500,000	\$1,567,500,000
CDPH Bulk Procurements	\$0	\$30,300,000	\$0	\$0	\$0	\$30,300,000
EMSA Bulk Procurements	\$0	\$19,600,000	\$0	\$0	\$0	\$19,600,000
Hospital and Medical Surge (to support 5,000 beds)	\$31,400,000	\$251,720,000	\$0	\$347,163,000	\$694,740,000	\$1,325,023,000
Staffing Costs	\$0	\$148,520,000	\$0	\$11,263,000	\$694,740,000	\$854,523,000
Operating Costs for Hospital Surge	\$0	\$30,100,000	\$0	\$69,900,000	\$0	\$100,000,000
Facility Leasing Costs	\$31,400,000	\$73,100,000	\$0	\$266,000,000	\$0	\$370,500,000
Hotels for Healthcare Workers and Support Staff	\$0	\$30,000,000	\$0	\$0	\$477,650,000	\$507,650,000
Vulnerable Population Support Services	\$271,700,000	\$0	\$0	\$50,000,000	\$0	\$321,700,000
EMSA: Public Health Surge Equipment (Ventilators) and Medical Transportation Services	\$10,700,000	\$0	\$0	\$0	\$0	\$10,700,000
DSS: In-Home Supportive Services for Wellness Checks, Calls, and/or Visits	\$5,000,000	\$0	\$0	\$0	\$0	\$5,000,000
DSS: Food Banks	\$20,000,000	\$0	\$0	\$50,000,000	\$0	\$70,000,000
DSS: Responding to COVID-19 in Residential Care Facilities	\$41,000,000	\$0	\$0	\$0	\$0	\$41,000,000
DSS/DHCS: County Administration Supplemental Allocation	\$45,000,000	\$0	\$0	\$0	\$0	\$45,000,000
BCSH: Homelessness Shelter Support Services (Project Roomkey--funding to locals for motel leases, etc.)	\$100,000,000	\$0	\$0	\$0	\$0	\$100,000,000
DSS: Hotel/Motel Beds for People Experiencing Homelessness (includes trailers)	\$50,000,000	\$0	\$0	\$0	\$0	\$50,000,000
Other Support Services	\$286,200,000	\$5,747,000	\$0	\$17,253,000	\$0	\$309,200,000
CDPH: COVID-19 Call Center for Public Inquiries	\$0	\$5,747,000	\$0	\$17,253,000	\$0	\$23,000,000
BSCC: Reimbursement to County Probation Departments for Supervision of Offenders Released from Prison Early	\$3,000,000	\$0	\$0	\$0	\$0	\$3,000,000
CDCR: Reimbursement to County Jails for Housing Inmates because of Suspended Prison Intake	\$5,700,000	\$0	\$0	\$0	\$0	\$5,700,000
CDCR: Reimburse Counties for Housing Inmates due to the Temporary Suspension of Prison Intake, 30 additional days	\$8,600,000	\$0	\$0	\$0	\$0	\$8,600,000
GO-Biz: Support to Small Businesses Experiencing Hardship	\$50,000,000	\$0	\$0	\$0	\$0	\$50,000,000
DOE: Face Coverings, Gloves, and Cleaning for Child Care Facilities	\$50,000,000	\$0	\$0	\$0	\$0	\$50,000,000
DOE: Expanded Access to Subsidized Child Care for Children of Essential Workers and At-Risk Children	\$50,000,000	\$0	\$0	\$0	\$0	\$50,000,000
DSS: CalWORKs Stage One Child Care Provider Reimbursements, Child Welfare Services	\$42,600,000	\$0	\$0	\$0	\$0	\$42,600,000
DSS: COVID-19 Parity Benefit for Immigrants and Eight Immigrant Opportunity Hubs, Pandemic EBT Benefits, and Child Welfare Services	\$76,300,000	\$0	\$0	\$0	\$0	\$76,300,000
Testing, Contact Tracing, and Tracking	\$27,400,000	\$98,350,000	\$0	\$575,000,000	\$0	\$700,750,000
CDPH: Case Identification and Contact Tracing	\$27,400,000					\$27,400,000
Other Response Costs	\$0	\$0	\$195,122,000	\$0	\$300,000,000	\$495,122,000
<b>Totals</b>	<b>\$2,216,392,864</b>	<b>\$1,831,078,136</b>	<b>\$195,122,000</b>	<b>\$1,489,416,000</b>	<b>\$2,863,028,000</b>	<b>\$8,595,037,000</b>