

PANDEMIC RESPONSE AND FEDERAL ASSISTANCE

California is emerging from the global COVID-19 Pandemic with a path to reopen the state's economy on June 15, 2021. The state's aggressive response, including issuing a statewide stay-at-home order at the outset of the pandemic and instituting requirements for the use of masks and physical distancing, have reduced community transmission and saved the lives of many Californians.

California has delivered over 31 million vaccine doses—including over 6.3 million in the state's hardest-hit communities—and ranked 11th among all states in first-dose administration as of May 8. The state is allocating 40 percent of vaccine doses for the hardest-hit communities and established an equity metric to increase vaccinations in those communities. As hospitalizations continue to decline, the state is expected to reopen its economy on June 15, allowing everyday activities and businesses to open with risk reduction measures, such as encouraging vaccination and mandating masks.

ACCELERATED AND EQUITABLE VACCINATION DISTRIBUTION

With input from the state's Community Vaccine Advisory Committee, the state has focused its efforts in the last four months on implementing a rapid, equitable distribution and administration of COVID-19 vaccinations statewide.

In late January, the Government Operations Agency worked in partnership with the Department of Public Health, local health jurisdictions, and a Third-Party Administrator (Blue Shield of California) to build a statewide vaccine network to optimize allocation and administration of vaccines as well as a statewide tool, My Turn, to help people know when it is their turn to be vaccinated and schedule an appointment. In addition, the Governor's Office of Emergency Services operated mass vaccination sites in Oakland and Los Angeles, where it administered over 833,000 vaccines.

In March, the state began doubling the COVID-19 vaccine supply to communities hardest hit by COVID-19 using ZIP code-level measures of community health. This increase helped narrow the gap in vaccination between those living in the most affluent communities and those who face more challenges accessing vaccinations.

A statewide multi-lingual, multicultural education and outreach campaign to promote vaccination continues, utilizing trusted messengers from 323 organizations statewide and text communications. In addition, the state is working to increase access by offering in-home vaccinations; free transportation to vaccination appointments; mobile sites in partnership with places of worship; "Get Out the Vaccine" door-knocking and canvassing to assist in arranging vaccinations; as well as coordination with businesses, school districts, and local health departments.

The work continues as millions of Californians have yet to be vaccinated against COVID-19. In addition, planning continues for administration of the vaccine to 12-15 year-olds in partnership with local health departments, schools and pediatricians statewide.

DIRECT EMERGENCY RESPONSE EXPENDITURES

Current estimates of total direct pandemic emergency response costs are approximately \$12.3 billion, which represents costs incurred in the prior and current fiscal year as well as projected costs in fiscal years 2020-21 and 2021-22. These expenditures are estimated to have no net General Fund impact as all costs that cannot be funded from other identified federal sources are anticipated to be backfilled with federal American Rescue Plan Act of 2021 funding. Since the 2020 Budget Act, the Department of Finance has regularly updated these estimates on its website.

The Administration continues seeking to maximize the use of federal funds and currently estimates the following fund split:

- \$1.5 billion American Rescue Plan Act (ARPA)
- \$8.1 billion Federal Emergency Management Agency Public Assistance Program
- \$2.4 billion Coronavirus Relief Fund (CRF)
- \$347.7 million other federal funds and private funds

These estimates were developed prior to the release of the U.S. Treasury's interim guidance regarding the use of ARPA funds on May 10, 2021, and may need to be adjusted to reflect this guidance.

The Department of Finance's March 2021 Fiscal Update reflected a total of \$15.1 billion in state direct emergency response costs across multiple fiscal years. The following chart summarizes current estimates compared to the estimates included in the March 2021 Fiscal Update. These estimates will continue to be refined as circumstances evolve and the state emerges from the pandemic.

Compared to the March 2021 Fiscal Update estimates, total costs are projected to decrease by approximately \$2.7 billion. This decrease is primarily attributable to most direct response activities tapering off at a faster pace than was assumed in the March 2021 Fiscal Update—including statewide testing, contact tracing, and other state response operations. In addition, a technical correction is being made to remove funding to local health jurisdictions for testing, contact tracing, and vaccinations that was added in the March 2021 Fiscal Update for consistency with how other local assistance funding is treated.

COVID-19 Direct Response Cost Estimates

Cost Category	March 2021 Fiscal Update	2021 May Revision Estimate	Difference
State Response Operations	\$2,641,592,000	\$2,357,239,000	-\$284,353,000
State Hospitals	\$148,996,000	\$153,873,000	\$4,877,000
Testing	\$28,543,000	\$47,204,000	\$18,661,000
Surge Capacity (Norwalk)	\$2,568,000	\$2,568,000	\$0
Other Staffing and Operational Costs	\$117,885,000	\$104,101,000	-\$13,784,000
National Guard	\$32,848,000	\$112,780,000	\$79,932,000
Corrections and Rehabilitation	\$1,535,908,000	\$1,592,719,000	\$56,811,000
Community Supervision	\$45,340,000	\$45,667,000	\$327,000
Temporary Suspension of Prison Intake	\$240,895,000	\$316,933,000	\$76,038,000
Reentry Housing	\$15,000,000	\$15,000,000	\$0
Project Hope	\$3,000,000	\$2,006,000	-\$994,000
Personal Protective Equipment	\$49,281,000	\$51,168,000	\$1,887,000
Medical Surge/Tents	\$111,012,000	\$145,157,000	\$34,145,000
Testing (Employee)	\$277,570,000	\$412,056,000	\$134,486,000
Testing (Inmate)	\$404,181,000	\$218,554,000	-\$185,627,000
Cleaning	\$146,176,000	\$123,581,000	-\$22,595,000
Other Staffing and Operational Costs	\$243,453,000	\$262,597,000	\$19,144,000
Other State Agency Response Operations Costs	\$923,840,000	\$497,867,000	-\$425,973,000
Procurements	\$3,281,062,000	\$2,995,347,000	-\$285,715,000
OES Masks Contract (Global Healthcare Product Solutions, LLC)	\$920,600,000	\$920,600,000	\$0
DGS and Other Procurements	\$2,360,462,000	\$2,074,747,000	-\$285,715,000
Hospital and Medical Surge (to support 5,000 beds)	\$1,566,852,000	\$1,285,322,000	-\$281,530,000
Staffing Costs	\$1,189,023,000	\$1,129,116,000	-\$59,907,000
Facilities and Operating Costs	\$377,829,000	\$156,206,000	-\$221,623,000
Hotels for Health Care Workers/Support Staff	\$349,981,000	\$277,951,000	-\$72,030,000
Housing for the Harvest	\$27,947,000	\$24,259,000	-\$3,688,000
Vulnerable Populations and Other Support Services	\$1,595,395,000	\$1,738,742,000	\$143,347,000
Project Roomkey	\$162,000,000	\$212,000,000	\$50,000,000
Food Banks	\$200,500,000	\$230,000,000	\$29,500,000
Immigrant Services	\$104,305,000	\$453,460,000	\$349,155,000
Support for Small Businesses	\$562,500,000	\$562,500,000	\$0
Great Plates Delivered	\$25,000,000	\$19,111,000	-\$5,889,000
Other Program Allocations	\$541,090,000	\$261,671,000	-\$279,419,000
Statewide Testing	\$2,612,142,000	\$1,855,645,000	-\$756,497,000
PerkinElmer	\$1,386,414,000	\$1,126,297,000	-\$260,117,000
Logistics Health, Inc. (Optum)	\$787,000,000	\$465,145,000	-\$321,855,000
FedEx Specimen Transportation	\$19,989,000	\$15,838,000	-\$4,151,000
Other Statewide Testing	\$418,739,000	\$248,365,000	-\$170,374,000
Contact Tracing and Tracking	\$250,903,000	\$233,142,000	-\$17,761,000
Vaccine Distribution and Administration	\$1,374,893,000	\$1,388,274,000	\$13,381,000
Supporting Vaccine Sites and Management of the Statewide Provider Network	\$1,183,827,000	\$1,100,658,000	-\$83,169,000
Administering the Statewide Provider Network	\$151,066,000	\$202,500,000	\$51,434,000
Media Campaign	\$40,000,000	\$85,116,000	\$45,116,000
Local Health Jurisdiction Funding for Testing, Contact Tracing, and Vaccination	\$1,187,498,000	\$0	-\$1,187,498,000
Community Engagement	\$163,695,000	\$193,340,000	\$29,645,000
Totals	\$15,051,960,000	\$12,349,261,000	-\$2,702,699,000

Although the amount of CRF has increased about \$200 million since the March 2021 Fiscal Update, the approach to allocate these funds has changed based on updated

FEMA guidance. The process to compile, submit, and receive funding from FEMA is lengthy for most disasters. Given the national scale and scope of the response effort, this process is expected to be even more protracted and FEMA approval is uncertain in some areas. Using the flexibility permitted in federal guidance for the CRF, the state can pursue FEMA reimbursement for claims that are most easily compiled, reviewed, and paid. These modifications are being made to maximize federal funding to defray the costs of the response as summarized in the CRF allocation chart.

Allocation of CRF for COVID-19 Response Costs

Cost Category	Selected Direct Response Costs	Estimated CRF March 2021 Fiscal Update	Estimated CRF 2021 May Revision	Difference
State Response Operations	\$2,357,239,000	\$401,452,000	\$1,139,099,000	\$737,647,000
Procurements	\$2,995,347,000	\$637,132,000	\$443,605,000	-\$193,527,000
Hospital and Medical Surge	\$1,285,322,000	\$326,894,000	\$31,033,000	-\$295,861,000
Hotels for Health Care Workers/Support Staff	\$277,951,000	\$32,544,000	\$25,000,000	-\$7,544,000
Vulnerable Populations/Other Support Services	\$1,738,742,000	\$605,779,000	\$535,057,000	-\$70,722,000
Statewide Testing	\$1,855,645,000	\$191,593,000	\$24,200,000	-\$167,393,000
Contact Tracing and Tracking	\$233,142,000	\$135,438,000	\$162,551,000	\$27,113,000
Other State Costs ^{1/}	N/A	N/A	\$174,347,000	\$174,347,000
Totals	\$10,743,388,000	\$2,330,832,000	\$2,534,892,000	\$204,060,000

^{1/}Excludes costs for Project Homekey

FEDERAL ASSISTANCE

To address the direct and indirect effects of COVID-19, the federal government enacted six federal stimulus bills. Together, these funds are helping pay for emergency response, testing and contact tracing, health care, and vaccinations. These funds are also directly supporting the unemployed and K-12 schools. Combined with direct payments and other assistance to individuals and families, hospitals and medical providers, businesses, higher education institutions and college students, local housing authorities, airports, farmers, and local government, California and its economy will benefit from over \$600 billion provided through these federal bills as summarized in the chart below.

Summary of Estimated Federal Stimulus Funds

(Dollars in Thousands)

Federal Bill and Description	To/Through State	Direct Stimulus	Total
Preparedness and Response (HR 6074, March 2020): Provided emergency funding for public health and health care.	\$77,432	\$1,539,951	\$1,617,383
Families First (HR 6201, March 2020): Provided food assistance and addressed diagnostic testing costs, expanded paid and family sick leave, and increased the federal match share for some state programs.	12,831,667	4,553,496	17,385,163
Coronavirus Aid, Relief, and Economic Security (HR 748, March 2020): Broadened assistance to include states, local governments, education, child care and families. Provided economic impact payments, unemployment insurance enhancements, and assistance for small businesses, farmers, airports, and transit agencies.	140,242,761	84,436,272	224,679,033
Paycheck Protection/Health Care (HR 266, April 2020): Provided funding to small businesses, hospitals, and health centers to expand testing and contact tracing to support reopening businesses and the economy.	499,619	74,252,131	74,751,750
Coronavirus Response and Relief (HR 133, December 2020): Provided funding for rental and utility assistance, funeral expenses, food assistance, farmers, airports, transit agencies, and state highways. Included additional unemployment benefits and economic impact payments. Additional funding provided for health care providers, testing, and vaccine distribution.	32,980,017	71,990,263	104,970,280
American Rescue Plan Act (HR 1319, March 2021): Provided additional relief to state and local governments, funding for vaccine distribution, behavioral health, education, child care, housing, and transit. Continued enhanced unemployment benefits and provided economic assistance through tax credits as well as relief for small businesses.	89,581,922	100,526,035	190,107,957
Totals	\$276,213,419	\$337,298,147	\$613,511,566

ARPA was enacted on March 11, 2021, and provided additional funding to support reopening, including vaccine distribution; extended unemployment benefits through September 6, 2021, including a partial tax exemption on these benefits; enacted several tax credits to support working families; and provided additional state and local relief funds. The following chart provides additional details regarding the estimated funding for state programs and direct payments to individuals, families, colleges, businesses, and local government entities.

American Rescue Plan Act of 2021 — Preliminary California Estimates

(Dollars in Billions)

Major Program Categories	Available Nationwide	California Amount	Through State	Direct
Economic Assistance	\$ 612.000	\$ 65.727	\$ 0.000	\$ 65.727
Recovery Rebates to Individuals and Families	410.000	44.000	0.000	44.000
Tax Relief for Families and Unemployed	202.000	21.727	0.000	21.727
State/Local Fiscal Recovery and Infrastructure Funds	355.500	43.655	28.785	14.870
State Fiscal Recovery Fund	195.300	27.017	27.017	0.000
Local Fiscal Recovery Fund - Cities and Counties	130.200	15.898	1.218	14.680
Tribal Governments	20.000	0.190	0.000	0.190
Capital Projects Fund	10.000	0.550	0.550	0.000
Education and Child Care	208.875	24.575	19.423	5.152
Primary and Secondary (including private schools)	126.325	15.350	15.350	0.000
Higher Education	39.585	5.047	0.000	5.047
Individuals with Disabilities Education Act	3.030	0.317	0.317	0.000
Child Care	39.935	3.861	3.756	0.105
Safety Net	276.220	32.689	32.286	0.403
Unemployment Insurance Benefits	242.000	30.000	30.000	0.000
Food Assistance	21.253	2.313	1.963	0.350
Aging Services	0.659	0.068	0.068	0.000
Disaster Response	1.356	0.061	0.008	0.053
Human Services	1.776	0.246	0.246	0.000
Other Assistance	9.176	TBD	TBD	TBD
Test, Trace, and Vaccinate	57.550	3.681	2.863	0.817
Testing and Contact Tracing	50.050	3.324	2.506	0.817
Vaccine Distribution and Monitoring	7.500	0.357	0.357	0.000
Health, Public Health, and Mental Health	41.892	4.382	2.638	1.743
Health and Human Services	0.282	0.002	0.000	0.002
Medicaid	12.400	2.394	2.245	0.149
Provider Relief	8.500	0.600	0.000	0.600
Community Health Centers	7.600	0.993	0.000	0.993
Mental Health	2.070	0.189	0.189	0.000
Substance Use Disorders	1.530	0.204	0.204	0.000
Other	9.510	TBD	TBD	TBD
Housing, Utility Assistance, and Homelessness	46.770	5.188	2.649	2.539
Housing Assistance	31.770	3.642	2.266	1.376
Utility Assistance	5.000	0.229	0.227	0.002
Homelessness	10.000	1.317	0.155	1.162
Business and Transportation	119.436	10.123	0.923	9.199
Small Business Assistance	61.100	4.575	0.895	3.680
Airline Support and Airport Improvement	26.000	1.000	0.000	1.000
Public Transit	30.461	4.492	0.028	4.463
Amtrak/Rail	1.875	0.056	0.000	0.056
Veterans, Arts, Libraries, and Workplace Safety	1.608	0.090	0.015	0.075
Totals	\$ 1,719.851	\$ 190.108	\$ 89.582	\$ 100.526

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

ARPA appropriates \$350 billion to states, local governments, and tribal governments and territories to mitigate the fiscal effects stemming from the COVID-19 public health emergency. The Act specifies that funds may be used to respond to the public health emergency or its negative economic impacts and to make necessary investments in water, sewer, or broadband infrastructure. California is expected to receive over \$43 billion in combined recovery funds to cover costs incurred between March 3, 2021 and December 31, 2024, to mitigate the impacts of the pandemic. Based on the methodology used by the U.S. Treasury, California anticipates receiving the following:

- **State:** \$27 billion
- **Counties:** \$7.7 billion for 58 counties
- **Metropolitan Cities:** \$7 billion for 191 cities with populations over 50,000
- **Smaller Cities:** \$1.2 billion for 291 cities with populations below 50,000. These funds will pass-through the state.
- **Tribes:** \$190 million based on minimum amount of about \$1.7 million for each of California's 109 tribes

The U.S. Treasury issued a 150-page Interim Final Rule, allocation amounts, and a fact sheet on May 10, 2021, for states, counties, and metropolitan cities. With current unemployment levels at 8.3 percent, well above the February 2020 level (4.3 percent), the state will receive its funds in a single payment. Local governments will receive half of their funding in May 2021 and the balance will be provided 12 months later.

The May Revision framework for the Coronavirus State Fiscal Recovery Fund for targeted investments was developed prior to the interim guidance and may need to be adjusted to reflect any inconsistencies between the proposed plan and the guidance. It includes allocations to:

Address Public Health Impacts (\$4.9 billion)—Includes support for state and local emergency response to COVID-19 and the state's public health infrastructure that has been strained by efforts to respond to COVID-19 including public hospitals, health systems, and residential care facilities. These funds will also address the emotional and behavioral health impacts on California's children and youth stemming from quarantine requirements and distance learning. To support this effort, it is necessary to

build capacity by investing in workforce and facility infrastructure, including training and certification of psychologists, psychiatrists, counselors, and social workers.

Address Negative Economic Impacts (\$13.7 billion)—Funds will support special district utilities to help households pay for water and utility arrearages, address housing shortages and homelessness exacerbated by the pandemic, and provide grants to small businesses as well as economic support for the tourism industry and ports. Targeted investments are also made to stimulate jobs—including investments in work-study, reduce barriers to accessing higher education, and address equity gaps among low-income children and families, including homeless youth and children in foster care.

Water, Sewer, and Broadband Investments (\$7.3 billion)—Addresses deferred maintenance on water infrastructure, and water and sewer infrastructure for housing. Promotes access to and affordability of broadband.

Unemployment Insurance Trust Fund (\$1.1 billion)—The May Revision proposes that these funds be used to replenish the state's unemployment insurance trust fund, which is projected to have a deficit of more than \$24.3 billion at the end of 2021. More broadly, any unobligated funds as of June 30, 2024, will also be used to further reduce the total funds borrowed from the federal unemployment insurance trust fund.

See the chart for additional details on these priority investments to help California build back a stronger, more equitable economy and address the disproportionate negative economic impacts of COVID-19 on low-wage sectors.

Allocation of \$27 Billion Coronavirus State Fiscal Recovery Fund

(Dollars in Millions)

Coronavirus Fiscal Recovery Fund Allocations	Amount
Address Public Health Impacts	\$4,879.8
Children and Youth Behavioral Health Initiative	\$2,070.2
COVID-19 Direct Response Costs	\$1,529.6
Behavioral Health Continuum Infrastructure Program	\$530.0
Support for Public Hospitals and Health Systems	\$300.0
Community Residential Care Facility Expansion	\$450.0
Address Negative Economic Impacts	\$13,681.3
Address Increased Homelessness and Housing Shortages	\$4,976.0
Child Savings Accounts to Address Equity Gap and Increase Opportunities for Higher Education	\$2,039.5
Relief for Unpaid Utility Bills and Arrearages	\$2,000.0
Small Business Grants	\$1,500.0
Training and Education Support for Displaced Workers	\$1,000.0
Community Economic Resilience	\$750.0
Fine and Fee Debt Forgiveness Program	\$300.0
CalCompetes Grants for Jobs	\$250.0
Economic Support for Ports	\$250.0
Californians for All College Service Program	\$239.4
Youth Workforce Development	\$200.0
Revitalize California Tourism	\$95.0
Legal Aid for Renters	\$60.0
Federal Tracking, Accountability, and Cost Recovery	\$10.9
Support for K-12 Interscholastic Athletic Leagues	\$10.5
Water, Sewer, and Broadband	\$7,333.4
Broadband Infrastructure, Access, and Affordability	\$5,500.0
Water Resilience Package: Infrastructure Investments	\$1,595.0
Water Infrastructure - Deferred Maintenance	\$237.0
Argonaut Mine Dam Project Stormwater Upgrades	\$1.4
Unemployment Insurance Trust Fund/Unallocated	\$1,122.5
Total	\$27,017.0

OVERSIGHT, ACCOUNTABILITY, AND TRANSPARENCY

With the unprecedented level of federal stimulus funding received over the last 14 months, the May Revision proposes a new unit in the Department of Finance to track the award and expenditure of these funds, monitor and oversee the use of the funds, and establish a framework for data collection, reporting and analysis of the Coronavirus State Fiscal Recovery Funds based on predefined outcome measures. The unit will also identify opportunities to standardize and streamline accounting and reporting policies

and processes to improve the tracking, oversight, and recovery of federal funding, including the state's ability to recover disaster relief funds from FEMA.