

PANDEMIC RESPONSE AND FEDERAL ASSISTANCE

Since the onset of the COVID-19 Pandemic in March 2020, the state has led a science-based response to slow community transmission and save lives by maintaining transmission reduction measures, such as vaccinations and booster shots, testing, contact tracing, and requiring masks in indoor locations. As 2022 begins, the state is experiencing another surge in coronavirus cases—fueled by the Omicron variant, the fastest spreading strain of the coronavirus seen to date—which is again straining health care workers and hospital capacity.

Since the 2021 Budget Act, there have been significant developments in the response to the COVID-19 Pandemic, including the approval of vaccines for children, booster shots, and increased availability of testing options and locations. However, given the current surge in cases, current-year costs are projected to exceed amounts authorized in the 2021 Budget. To maintain and expand these mitigation efforts, the Administration is seeking early action by the Legislature to allocate \$1.4 billion to continue critical efforts to slow community transmission and save lives. These funds will increase vaccination rates, expand testing, and support hospital surge staffing.

Chapter 13, Statutes of 2021 (SB 95) required employers to provide COVID-19 Supplemental Paid Sick Leave to covered employees through September 30, 2021. The recent surge of COVID-19 cases and increased community transmission is negatively impacting workplaces and employees. Given the current state of the pandemic, and new developments and science learned since the passage of SB 95, new legislation is

needed to modify the previous COVID-19 Supplemental Paid Sick Leave policy in an appropriate manner to ensure the safety of the state's workforce.

ACCELERATED VACCINE DISTRIBUTION

As of late December 2021, California had delivered 63.9 million vaccine doses and 9.3 million booster doses—including over 14.3 million doses in the state's hardest-hit communities. However, work continues as millions of Californians have yet to be vaccinated. The data and science clearly demonstrate vaccines are highly effective at preventing serious illness and death from COVID-19. It is imperative that the state continue its efforts to increase the rate of vaccination, especially in the hardest-hit communities.

The state continues a multilingual, multicultural public education and community outreach campaign, which includes direct appointment assistance with trusted messengers from more than 480 community-based organizations and ethnic media. In addition, the state is offering in-home vaccinations and testing; free transportation to vaccination appointments; and mobile sites in partnership with places of worship, employers, and other community locations.

The state is also conducting "Get Out the Vaccine" door-knocking and canvassing to assist in arranging vaccinations, implementing the Medi-Cal COVID-19 Vaccination Incentive Program to improve vaccine access, and providing support and coordination with businesses, school districts, and local health departments. By November 2021, the Vaccinate ALL 58 campaign had directly assisted more than 3.4 million individuals by answering questions and promoting vaccination, and provided more than 1 million individuals with appointment assistance through community-based organizations and trusted messengers in communities facing the greatest barriers to vaccination.

An additional \$399 million in 2021-22 and \$182 million in 2022-23 is proposed for vaccine distribution and administration.

EXPANDING COMMUNITY TESTING AVAILABILITY

California identified its first Omicron case on December 1, 2021. Since then, the state expanded hours and capacity at existing testing sites and distributed 4 million antigen tests to local health departments, community clinics, and other entities. The state has also expanded its support for school-based antigen testing by securing and distributing more than 10 million antigen tests to county offices of education and schools. Further,

in partnership with health plans, hospitals, and community based organizations, the state will leverage its purchasing power and distribution capacity to supplement testing efforts to support critical workplaces, first responders, and others.

The COVID-19 Testing Task Force continues to support public health by improving accessibility, equity, timeliness, and sustainability of testing. The Department of Public Health (DPH) continues to operate the Valencia Branch Laboratory, which processes roughly 40,000 tests on peak days, supporting testing for schools, state employees, local and state government entities, businesses and more. The Budget proposes an additional \$214 million in 2021-22 to maintain and expand testing operations. The Budget also proposes \$362 million for continued testing efforts in 2022-23.

SUPPORTING HOSPITALS AND EXPANDING MEDICAL SURGE STAFFING

Given the demand for medical surge staff and vaccine administrators, the Budget proposes an augmentation of \$478 million for surge staffing in the current year, in addition to the \$61 million appropriated in the 2021 Budget Act, and \$124 million in the budget year. In the face of the rapidly spreading Omicron variant and increasing hospitalizations, these additional resources will support the demand for the hospital system and health care professionals. DPH and the Emergency Medical Services Authority will continue to work with counties to review staffing needs and provide the necessary resources.

ADDITIONAL RESPONSE EFFORTS

Significant response efforts to slow the spread of the virus and save lives continue in the state's institutional settings—prisons and state hospitals. The Budget also continues support for expanded contact tracing and efforts to protect public health at the California-Mexico border. The Budget reflects increased expenditures of \$339 million in 2021-22 and \$582 million 2022-23 for these and other activities.

EXPANDING PUBLIC HEALTH CAPACITY

To permanently expand the state's ability to protect public health and address social determinants of health, the Budget includes \$300 million General Fund for DPH and local health jurisdictions. The Budget also includes major ongoing investments to

modernize public health data systems that have been critical during the COVID-19 Pandemic. In addition, the state continues to invest in information technology systems to track and gather data on COVID-19 and vaccines. Additional details regarding these investments are provided in the Health and Human Services Chapter.

FUNDING EMERGENCY RESPONSE DIRECT EXPENDITURES

To minimize the net General Fund impact of direct COVID-19 Pandemic emergency response costs, the Administration continues to maximize the use of various federal funds, including the Coronavirus Relief Fund, the State Fiscal Recovery Fund, and the Federal Emergency Management Agency (FEMA) Public Assistance Program. FEMA has extended the 100-percent FEMA reimbursement of COVID-19 emergency response costs through April 1, 2022. 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.

The 2021 Budget Act provided \$1.7 billion to various departments to continue COVID-19 response activities. However, the extent and duration of direct response activities have exceeded earlier assumptions. Specifically, direct response cost estimates for 2021-22 have grown to \$3.2 billion, or \$1.4 billion above the level authorized in the 2021 Budget Act, with 2022-23 costs now estimated at approximately \$1.3 billion. (These amounts are inclusive of the vaccine, testing, and other costs described in this chapter.) The following chart summarizes the activities requiring additional funding in 2021-22 and proposed funding levels for 2022-23.

COVID-19 Direct Response Budgeted and Proposed Costs

COVID-19 Direct Response Activities	2021 Budget Act ^{1/}	2021-22 Proposed Funding Over 2021 Budget Act	2022-23 Proposed Funding
California Department of Corrections and Rehabilitation	\$410,486,000	\$205,547,000	\$424,669,000
Hospital and Medical Surge	\$29,245,000	\$0	\$10,905,000
State Response Operations	\$82,767,000	\$0	\$32,154,000
Statewide Testing	\$198,440,000	\$205,547,000	\$380,109,000
Vaccine Distribution and Administration ^{2/}	\$2,500,000	\$0	\$1,501,000
Temporary Suspension of Prison Intake	\$97,534,000	\$0	\$0
California Department of Public Health	\$904,931,000	\$1,224,710,000	\$760,750,000
Contact Tracing	\$2,408,000	\$18,182,000	\$18,284,000
Hospital and Medical Surge	\$60,849,000	\$478,482,000	\$124,309,000
State Response Operations	\$96,276,000	\$115,327,000	\$0
Statewide Testing	\$625,163,000	\$213,587,000	\$361,934,000
Vaccine Distribution and Administration	\$120,235,000	\$399,132,000	\$182,323,000
Vulnerable Populations and Other Support Services ^{3/}	\$0	\$0	\$73,900,000
Department of State Hospitals	\$69,208,000	\$0	\$64,600,000
State Response Operations	\$54,828,000	\$0	\$50,600,000
Statewide Testing	\$14,380,000	\$0	\$14,000,000
Other Departments	\$360,798,000	\$0	\$0
Grand Total	\$1,745,423,000	\$1,430,257,000	\$1,250,019,000

^{1/} Includes Control Section 11.91 transfers.

^{2/} The 2021 Budget Act did not specifically identify an amount for vaccine distribution and administration for the California Department of Corrections and Rehabilitation (CDCR). Estimated costs for vaccine-related activities were reflected in the broader state response operations assumptions. CDCR currently estimates it will expend \$2.5 million for this purpose in 2021-22, which will be absorbed within existing resources.

^{3/} 2022-23 figure includes funding for Emergency Medical Services Agency for response efforts at the border.

The total direct COVID-19 emergency response costs incurred in the 2019-20 and 2020-21 fiscal years are approximately \$9.5 billion as summarized in the following chart. From 2019-20 through 2022-23, direct emergency response costs are estimated to be \$13.9 billion. The Administration will reassess direct response cost estimates as a part of the May Revision.

COVID-19 Direct Response Costs

Cost Category	2019-20 Actual Costs	2020-21 Actual Costs	Total Actual Costs
State Response Operations	\$289,880,000	\$1,392,922,000	\$1,682,802,000
State Hospitals	\$6,199,000	\$52,641,000	\$58,840,000
Testing	\$813,000	\$20,996,000	\$21,809,000
Surge Capacity (Norwalk)	\$0	\$2,460,000	\$2,460,000
Other Staffing and Operational Costs	\$5,386,000	\$29,185,000	\$34,571,000
National Guard	\$6,474,000	\$42,222,000	\$48,696,000
Corrections and Rehabilitation	\$151,877,000	\$984,979,000	\$1,136,856,000
Community Supervision	\$2,971,000	\$21,775,000	\$24,746,000
Temporary Suspension of Prison Intake	\$31,215,000	\$176,827,000	\$208,042,000
Reentry Housing	\$0	\$15,183,000	\$15,183,000
Project Hope (CDCR)	\$0	\$478,000	\$478,000
Project Hope (DGS)	\$0	\$1,440,000	\$1,440,000
Personal Protective Equipment	\$23,330,000	\$18,837,000	\$42,167,000
Medical Surge/Tents	\$1,198,000	\$154,600,000	\$155,798,000
Testing (Employee)	\$2,518,000	\$270,738,000	\$273,256,000
Testing (Inmate)	\$6,101,000	\$128,909,000	\$135,010,000
Cleaning	\$20,740,000	\$27,624,000	\$48,364,000
Other Staffing and Operational Costs	\$63,804,000	\$168,568,000	\$232,372,000
Other State Agency Response Operations Costs	\$125,330,000	\$313,080,000	\$438,410,000
Procurements	\$1,020,239,000	\$1,891,365,000	\$2,911,604,000
OES Masks Contract (Global Healthcare Product Solutions, LLC)	\$411,693,000	\$508,906,000	\$920,599,000
DGS and Other Procurements	\$608,546,000	\$1,382,459,000	\$1,991,005,000
Hospital and Medical Surge (to support 5,000 beds)	\$91,520,000	\$1,140,389,000	\$1,231,909,000
Staffing Costs	\$36,404,000	\$1,054,536,000	\$1,090,940,000
Facilities and Operating Costs	\$55,116,000	\$85,853,000	\$140,969,000
Hotels for Health Care Workers/Support Staff	\$45,404,000	\$208,702,000	\$254,106,000
Housing for the Harvest	\$0	\$175,000	\$175,000
Vulnerable Populations and Other Support Services	\$438,766,000	\$814,202,000	\$1,252,968,000
Project Roomkey	\$150,000,000	\$62,000,000	\$212,000,000
Food Banks (includes funding for diapers)	\$25,000,000	\$162,948,000	\$187,948,000
Immigrant Services	\$63,300,000	\$3,637,000	\$66,937,000
Support for Small Businesses	\$0	\$536,688,000	\$536,688,000
Great Plates Delivered	\$3,816,000	\$15,276,000	\$19,092,000
Other Program Allocations	\$196,650,000	\$33,653,000	\$230,303,000
Statewide Testing	\$77,922,000	\$1,181,505,000	\$1,259,427,000
PerkinElmer	\$0	\$695,590,000	\$695,590,000
Logistics Health, Inc. (Optum)	\$53,211,000	\$304,472,000	\$357,683,000
Other Statewide Testing	\$24,711,000	\$181,443,000	\$206,154,000
Contact Tracing	\$14,924,000	\$243,399,000	\$258,323,000
Operating Costs	\$10,404,000	\$94,306,000	\$104,710,000
Departmental Staff Redirection Costs	\$4,520,000	\$149,093,000	\$153,613,000
Vaccine Distribution and Administration	\$1,560,000	\$507,490,000	\$509,050,000
Supporting Vaccine Mega Sites and Management of the Statewide Provider Network	\$0	\$273,500,000	\$273,500,000
Administering the Statewide Provider Network	\$1,560,000	\$181,075,000	\$182,635,000
Departmental Staff Redirection Costs	\$0	\$18,339,000	\$18,339,000
Media Campaign	\$0	\$34,576,000	\$34,576,000
Community Engagement	\$28,000	\$117,475,000	\$117,503,000
Totals	\$1,980,243,000	\$7,497,624,000	\$9,477,867,000

FEDERAL RELIEF

To address the direct and indirect effects of COVID-19, the federal government enacted six stimulus bills (not including the Infrastructure Investment and Jobs Act). Together, these funds are helping to pay for emergency response, testing and contact tracing, health care, and vaccinations. In some cases, these funds continue to directly support the unemployed and K-12 schools. Families and individuals have also benefited from expansions of the federal Child Tax Credit, Earned Income Tax Credit, and partial tax exemptions on unemployment benefits, as well as expanded financial assistance for health coverage. 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 are benefiting from over \$657 billion provided through these bills as summarized in the chart below.

Summary of Estimated Federal Stimulus Funds to California
(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.	\$86,504	\$1,539,951	\$1,626,455
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.	26,566,900	7,216,933	33,783,833
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.	168,786,307	85,516,588	254,302,895
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.	500,105	74,251,808	74,751,913
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.	33,110,071	63,563,546	96,673,617
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.	90,123,067	106,074,926	196,197,993
Totals	\$319,172,954	\$338,163,752	\$657,336,706

The 2021 Budget Act established a new unit within the Department of Finance (Finance) to track the award and expenditure of federal stimulus funds. Finance will oversee the use of the Coronavirus State Fiscal Recovery Funds (summarized below) and establish a framework for data collection, reporting, and analysis of these funds based on predefined outcome measures. Additionally, Finance will identify opportunities to standardize and streamline accounting and reporting policies and processes to improve the recovery of federal disaster relief funds from FEMA.

CORONAVIRUS STATE FISCAL RECOVERY FUNDS

California received \$27 billion in State Fiscal Recovery Funds (SFRF) from the American Rescue Plan Act of 2021 to respond to the COVID-19 public health emergency and its negative economic impacts, replace lost revenue, and to make investments in water, sewer, and broadband infrastructure.

States that lost revenue due to the pandemic, as calculated pursuant to interim U.S. Treasury regulations, are permitted to use an amount of SFRF equivalent to their lost revenue to fund government services. At the 2021 Budget Act, Finance estimated the state's revenue loss to be \$9.2 billion. As of the Budget, Finance re-evaluated the methodology to calculate California's revenue loss and now estimates the revenue loss to be \$11.2 billion, or about \$2 billion more than the 2021 Budget Act estimate.

To maximize funding flexibility and streamline federal reporting activities, the Administration proposes shifting \$1.8 billion of programs funded by the SFRF to either the General Fund or other state funds. This proposal results in no net General Fund costs, since this shift would be offset with a like amount of savings resulting from the additional \$2 billion in revenue replacement funding. The proposal also will not change total funding levels for any of the impacted programs. The chart below summarizes the SFRF funding plan and the proposed shifts in fund source.

Revised Allocation of \$27 Billion Coronavirus State Fiscal Recovery Fund

(Dollars in Millions)

Coronavirus State Fiscal Recovery Fund Allocations	2021 Budget Act Funding Amount	2022-23 Governor's Budget	Difference ^{1/}
Address Public Health Impacts	\$1,804.8	\$1,188.7	-\$616.1
COVID-19 Direct Response Costs	\$724.8	\$208.7	-\$516.1
Behavioral Health Continuum Infrastructure Program	\$530.0	\$530.0	\$0.0
Community Care Expansion	\$450.0	\$450.0	\$0.0
Mental Health Student Services Partnership Grant Program ^{2/}	\$100.0	\$0.0	-\$100.0
Address Negative Economic Impacts	\$12,224.8	\$11,004.8	-\$1,220.0
Address Increased Homelessness and Housing Shortages	\$4,876.0	\$4,876.0	\$0.0
Relief for Unpaid Water and Energy Utility Bills and Arrearages	\$2,000.0	\$2,000.0	\$0.0
Child Savings Accounts to Address Equity Gap and Increase Opportunities for Higher Education	\$1,777.9	\$1,407.9	-\$370.0
Small Business Grants	\$1,500.0	\$1,500.0	\$0.0
Community Economic Resilience	\$600.0	\$0.0	-\$600.0
Training and Education Support for Displaced Workers	\$472.5	\$472.5	\$0.0
Economic Support for Ports	\$250.0	\$0.0	-\$250.0
Emergency Financial Aid for Community College Students	\$250.0	\$250.0	\$0.0
Youth Workforce Development	\$185.0	\$185.0	\$0.0
Californians for All College Service Program	\$127.5	\$127.5	\$0.0
Revitalize California Tourism	\$95.0	\$95.0	\$0.0
Legal Aid for Renters	\$80.0	\$80.0	\$0.0
Federal Tracking, Accountability, and Cost Recovery	\$10.9	\$10.9	\$0.0
Replace Lost State Revenue	\$9,196.3	\$11,032.4	\$1,836.1
Broadband Infrastructure, Access, and Affordability	\$3,772.4	\$3,772.4	\$0.0
Reserve for Accountability and Oversight	\$18.6	\$18.6	\$0.0
Total	\$27,017.0	\$27,017.0	\$0.0

^{1/} The Governor's Budget proposes to shift \$1.8 billion in programs funded by the State Fiscal Recovery Fund to either the General Fund or other state funds to maximize funding flexibility and streamline federal reporting activities.

^{2/} Of the \$1.8 billion in funding shifts, \$100 million for youth behavioral health grants will be funded from the Mental Health Services Fund (MHSF). Other MHSF programs totaling \$100 million would in turn be funded with General Fund.