

## **SPECIAL SUBCOMMITTEE ON COVID-19 RESPONSE**

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**Senator Holly J. Mitchell, Chair**  
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**Senator Brian Dahle**  
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**Senator Richard Pan**  
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**Senator Nancy Skinner**  
**Senator Bob Wieckowski**



**Consultant: Joe Stephenshaw**

### **Agenda**

**Thursday, April 16, 2020**  
**State Capitol - Room 4203 at 2:00 p.m.**

Note: The Senate is committed to facilitating the ability of the public to take part in the hearing, and will provide safe opportunities for public participation. The Senate will live stream the hearing on our website at <http://www.sen.ca.gov>. The public may submit comment or testimony in writing to the committee, or participate via telephone at the conclusion of the hearing, during the public comment period. The Chair will provide the call-in number during the hearing.

### **Informational Hearing**

#### **Budget Overview of California's COVID-19 Response**

##### **Panelists:**

- **Gabe Petek, Legislative Analyst**
- **Vivek Viswanathan, Chief Deputy Director, Department of Finance**
- **Chris Hoene, Executive Director, California Budget and Policy Center**

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The Following Background Material is Included for Background Purposes. Items Will Not Be Discussed Individually. Subcommittee Background Issues are a Sampling of COVID-19 Related Issues and not an Exhaustive List.

Background .....	3
Section 36 Letter - Homeless Funding.....	6
Section 36 Letter – Hospitals Infrastructure .....	8
Section 36 Letter – Safety Net Programs.....	12
Section 36 Letter – Small Business Assistance .....	16
Section 36 Letter – Correctional Institutions .....	18
Section 36 Letter – Personal Protective Equipment - \$495 Million.....	20
Section 36 Letter – Access to Child Care .....	22
Subcommittee 1 Background Issues .....	24
Subcommittee 2 Background Issues .....	31
Subcommittee 3 Background Issues .....	34
Subcommittee 4 Background Issues .....	38
Subcommittee 5 Background Issues .....	42

## Background

Since December 2019, countries around the world have been dealing with the outbreak of a novel (new) coronavirus. The virus is known as “SARS-CoV-2” and the disease it causes is called “coronavirus disease 2019” or COVID-19. According to tracking by the New York Times, as of the past Tuesday, April 14, 2020, over 1.8 million people worldwide had been affected resulting in just over 120,000 deaths and the virus had been detected in at least 177 countries.

According to the New York Times tracking, as of Tuesday morning, at least 580,000 people across every state, plus Washington, D.C., and four U.S. territories, had tested positive for the virus, and at least 23,000 patients with the virus had died.

For California, the Department of Public Health reports that, as of April 12, 2020, there were 22,348 COVID-19 cases in our state with 687 deaths.

Due to the severity of the COVID-19 crisis, on March 4, 2020, Governor Newsome issued an Executive Order declaring a state of emergency and on March 19, 2020, issued a stay at home order.

From a budget perspective, the following actions have been taken that have impacted California’s ability to respond to the crisis:

- The Legislature passed SB 89 (Committee on Budget and Fiscal Review), Chapter 2, Statutes of 2020, on March 16, 2020, which appropriates up to \$1 billion for any purpose related to the March 4, 2020 proclamation of a state of emergency related to the coronavirus. SB 89 established a process whereby the Administration must notify the Joint Legislative Budget Committee (JLBC) 72 hours prior to the use of any of the funds. To date, the Administration has notified the JLBC regarding the use of approximately \$650 million from this appropriation (these funding requests are described in more detail later in the agenda).
- The Governor transferred \$1.3 billion to the Disaster Response Emergency Operations Account (DREOA), bringing its balance to \$1.4 billion. The DREOA is the source of funds that the Administration uses to quickly respond to emergencies. This account is within the Special Fund for Economic Emergencies.
- Through the Executive Order in which the Governor announced the DREOA transfer, he stipulated that he would utilize these funds and any other legally available state funds to help address the COVID-19 emergency. Making it clear that, if need, he will use emergency powers to spend above the current balance of the DREOA.
- The Federal Government has passed three COVID-19 funding packages:
  - Phase I, the Coronavirus Preparedness and Response Supplemental Appropriations Act was enacted into law March 6, 2020 and provided \$8.3 billion in emergency funding to treat and prevent the spread of COVID-19 through ensuring vaccines

developed to fight the coronavirus are affordable, that impacted small businesses can qualify for Small Business Administration Economic Injury Disaster Loans and that Medicare recipients can consult with their providers by telephone or teleconference, if necessary or desired.

- Phase II, the Families First Coronavirus Response Act, became law March 18, 2020. This act provided for a \$100 billion package that includes provisions for paid sick leave, free coronavirus testing, expanded food assistance, additional unemployment benefits, and requirements that employers provide additional protection for healthcare workers.
- Phase III, The Coronavirus Aid, Relief, and Economic Security Act (CARES) provides an estimated \$2 trillion stimulus package to battle the harmful effects of the COVID-19 pandemic. Some of the major components of the CARES Act include:
  - Creates a \$150 billion Coronavirus Relief Fund for state, local and tribal governments.
  - \$30 billion for an Education Stabilization Fund for states, school districts and institutions of higher education for costs related to the coronavirus.
  - \$45 billion for the Disaster Relief Fund for the immediate needs of state, local, tribal and territorial governments to protect citizens and help them respond and recover from the overwhelming effects of COVID-19.
  - \$4.3 billion, through the Centers for Disease Control and Prevention, to support federal, state and local public health agencies to prevent, prepare for, and respond to the coronavirus.
  - \$25 billion for transit systems.
  - Expanding unemployment insurance from three to four months, and provides temporary unemployment compensation of \$600 per week, which is in addition to and the same time as regular state and federal UI benefits.
  - A \$500 billion lending fund for businesses, cities and states.
  - \$1,200 direct payments to many Americans and \$500 for each dependent child.

We are still in the midst of assessing the approximately \$26 billion that is estimated to flow to California from the first three federal stimulus packages. Besides understanding how the funding will flow, there is also a provision in the largest pot, the Coronavirus Relief Fund, that stipulates that the funding can't be used for currently budgeted costs. California is projected to receive approximately \$15.3 billion for state and locals from this fund (approximately \$6.9 billion of which will go directly to locals) so it's important to understand how our actions correspond with the intent of the fund.

The federal stimulus that has been approved to date will provide considerable help to our state. However, given the magnitude of the impact that the COVID-19 crisis will have on our state's economy, additional relief is likely needed. As such, on April 8, 2020, Governor

Newsom wrote to Speaker Pelosi asking that \$1 trillion in direct and flexible relief be provided to states and local governments in the next federal stimulus bill.

On April 10, 2020, the Department of Finance (DOF) provided an interim fiscal update to the Legislature. In it, DOF notes that:

- The economic disruption from the pandemic is expected to result in a recession and have significant negative effects on state revenues.
- The impact is expected to be immediate, affecting fiscal year 2019-20, and will continue into fiscal year 2020-21 and beyond.
- California begins this fiscal downturn in far better shape than previous downturns due to our significant budget reserves and a cash cushion.
- Resource constraints will likely force further prioritization and reduction of expenditures beyond the “workload” budget that the Administration has notified the Legislature that it plans to submit at the May Revision.
- The state’s COVID-19 response will require significant upfront expenditures beyond the \$1 billion allocated in SB 89. For cash flow purposes, an additional \$6 billion in response-related expenses is projected in 2020. It’s important to note that it is expected that California will be reimbursed by the federal government for approximately 75 percent of these costs (\$5.25 billion).
- The state does not anticipate external borrowing this year, however, steps have been taken to facilitate external borrowing if needed.

The following pages include detailed summaries of all of the SB 89 (referred to as Section 36 notices or letters) spending requests received by April 12, 2020. Subsequent to the SB 89 spending requests is a sample of issues, by subcommittee, that the state is currently facing due to the COVID-19 crisis. This is by no means a comprehensive list of issue, however, provides a snapshot of some of the things we will have to consider in the context of the budget deliberations.

**March 18, 2020 – Section 36 Letter - Homeless Funding**

**Augmentation Summary.** The 2019-20 Budget Act was augmented by \$150 million to assist local governments in protecting the health and safety of homeless populations and reducing the spread of the COVID-19 outbreak.

**Issue 1: Business, Consumer Services and Housing Agency - \$100 Million**

**Background.** Item 0515-101-0001 was augmented by \$100 million for the Business, Consumer Services and Housing Agency to help local governments with COVID-19 prevention and containment efforts within the homeless population. It included:

- \$43 million to cities
  - \$27 million to counties
  - \$30 million to Continuums of Care
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- The money will be used to help build capacity for shelters —at existing shelters and to assist in opening new shelters. For the existing shelters, it is intended to help with “social distancing.”
  - It will also allow local agencies to purchase items that will help prevent the spread of COVID-19, including, for example, handwashing stations, masks, cleaning materials, and other items designed to help reduce the spread.
  - The money will be distributed to the cities, counties and Continuums of Care according to the formula established under Homeless Housing, Assistance and Prevention (HHAP), which Program. (The HHAP Program was signed into law on July 31, 2019 by Governor Gavin Newsom and provides one-time grants to local governments to fund a variety of programs and services that address homelessness.) See attached document for specific allocations.
  - This augmentation was coupled with Executive Order (EO) N-32-20 which suspended Health and Safety Code sections 50214(a) and 50219(c) and Division 13 (commending with Section 21000) of the Public Resources Code. See the attached EO. This allows local entities to use funds provided through the Homeless Emergency Aid Program (HEAP) of 2018 and HHAPP for purposes beyond the scope of the original programs, provided they are used to prevent or mitigate the spread of COVID-19 in homeless populations.

**Questions.**

1. Have the funds been distributed to the local agencies?
2. Does the administration have a sense of how local agencies plan on putting these funds to use?

**Issue 2: Department of Social Services - \$50 million**

**Background.** Item 5180-151-0001 was augmented by \$50 million for Department of Social Service (DSS) to assist local agencies responding to the COVID-19 crisis with resources to address immediate housing needs for the homeless. The augmentation is being used by DSS to help with the response by expanding capacity to house the homeless population. Specifically:

- The funding will be used to purchase hotels or motels (in conjunction with local agencies). DSS is coordinating with existing local agencies.
- Additional travel trailers will be purchased, similar to the purchase that the Administration made earlier this year.
- DSS, in coordination with the local agencies, will purchase needed supplies to ensure that the hotels/motels meet public health guidelines.
- The resources can be used for wraparound services associated with the homeless placements.

**Questions.**

1. Please provide an update on the allocation of funds.
2. What is the most common entity at the local level that DSS is working with to distribute the funds? What other local entities is DSS working with?
3. How many hotel/motel beds have been purchased? How many beds are being rented? Where are the beds located? Has the state entered into any contracts with the hotels/motels, or are all contracts held at the local level?
4. How many of those beds, if any, have been filled to-date?

**March 20, 2020 – Section 36 Letter – Hospitals Infrastructure**

**Augmentation Summary.** The 2019-20 Budget Act was augmented by \$42.067 million to assist state and local governments prepare and respond to the anticipated surge in COVID-19 cases.

**Issue 1: Department of Public Health - \$30 million**

**Background.** Item 4265-001-0001 was augmented by \$30 million for the California Department of Public Health (CDPH) to help expand the state’s hospital capacity and increase the number of intensive care unit (ICU) beds.

Specifically, \$30 million is being used to lease Seton Medical Center and St. Vincent Medical Center through June 30, 2020. Seton Medical Center and St. Vincent Medical Center are both owned by Verity Health System, which filed for bankruptcy protection in 2018. The administration intends to spend \$30 million to enter into operating agreement for Seton and a lease for St. Vincent’s.

Seton Medical Center

Seton Medical Center is a 357-bed Verity Health System hospital located in Daly City. Verity still operates the hospital, but only at a quarter of its capacity. The state is contracting with Verity to re-open portions (or potentially all) of the hospital. The state has agreed to pay Verity \$2.7 million per month for up to 177 beds. For beds numbering above 177, the state has agreed to pay a pro-rated amount per bed. The maximum the state would pay is \$5 million per month for 220 beds. Seton will include 28 ICU beds and up to 192 regular beds for COVID-19 patients. The contract will run through June 30, 2020. The state may decide to request funding for an additional three months (in the new fiscal year). Verity will be responsible for getting the equipment to fully operate the hospital. Seton is able to treat COVID-19 patients under its existing license so there is no need for additional licensing.

The administration provided the planned schedule for phasing in beds at Seton (to reach a total of at least 177 beds):

- March 25: 120 beds
- April 1: 33 additional beds for a total of 153 beds
- April 22: 24 additional beds for a total of 177 beds

St. Vincent Medical Center

St. Vincent Medical Center is a 381-bed facility located in Los Angeles. Verity Health System, which owns St. Vincent’s, closed the facility on January 24, 2020. The administration identified St. Vincent’s as a possible site to treat COVID-19 patients and notified the Joint Legislative Budget Committee (JLBC) on March 20 of an emergency funding augmentation that would be used to lease the facility. At that time, the administration anticipated the lease would cost \$2.6 million per month and would include up to 366 beds for COVID-19 patients. The administration indicated to the JLBC that it was looking at a three-month lease with the potential of extending it by three

additional months. In addition, the administration said it intended to contract with a facility operator that would be responsible for hiring staff, providing the necessary equipment and supplies, including personal protective equipment and ventilators, and obtaining the requisite licenses (CDPH noted that it was ready to expedite the licensing walk-thru). According to the administration, conducting a competitive bid process to find an operator was not required because those rules were waived when the state of emergency was declared. Before awarding the contract, the administration said it would ensure the contract recipient had a track record of successfully operating health facilities. To help address the need for ICU bed capacity, the Office of Statewide Health Planning and Development has been onsite to see what additional steps need to be taken to increase the number ICU beds at St. Vincent's. There are structural and infrastructure challenges that need to be addressed before beds can be upgraded from regular beds to ICU beds. For example, ICU rooms have an electrical system that would continue to operate during an electrical outage.

Since March 20, the state has executed a contract with Verity Health System for \$2.6 million per month and the state and Los Angeles County have partnered with Kaiser Permanente and Dignity Health to operate St. Vincent's, which they are calling the Los Angeles Surge Hospital. According to a press release from the California Health and Human Services Agency, the hospital will be a dedicated referral hospital with up to 266 beds for COVID-19 patients and will open April 13. It will not have an emergency room or accept walk-in patients. The Los Angeles County Department of Health Services will assist in coordinating patient transfers and discharges, while Kaiser and Dignity will operate the site. A Kaiser press release notes that the state will be responsible for procuring necessary medical equipment and supplies, including personal protective equipment and ventilators, and obtaining licenses. According to a recent story in the *Los Angeles Daily News*, the state will also handle staffing.

In the case of both hospitals, the state will not be receiving any revenue. The operator will receive any reimbursements from Medi-Cal, Medicaid, and any insurance payments.

### **Questions.**

1. Please provide an update on the number of beds being operated at Seton.
2. Please provide an overview of the operational agreement and structure at St. Vincent's.
3. Please provide an update on the staffing levels and remaining needs at St. Vincent's.
4. How is CDPH managing oversight of these two medical facilities?

<b>Issue 2: Department of Public Health - \$1.42 million</b>
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**Background.** Item 4265-001-0001 was augmented by \$1.42 million for the Department of Public Health, to expand capacity at the Department's Richmond Laboratory.

The Richmond Lab needs to purchase additional equipment and supplies and hire more staff to increase its COVID-19 testing capabilities. As of March 20, 2020, there were 22 public health labs, including the Richmond Lab that were conducting testing (plus some private labs).

According to the administration, as the COVID-19 cases surge, the local labs may need additional funding. Local labs are near their capacity and the state has a team at CDPH that is monitoring closely the needs of the local labs.

**Questions.**

1. Has CDPH been able to procure the additional equipment and supplies and hire the necessary staff to increase testing capacity at the Richmond Lab?
2. How many samples is the Richmond Lab testing per day?
3. What is the current backlog in COVID-19 testing, at the Richmond Lab and statewide?
4. Have local laboratories requested additional assistance?

<b>Issue 3: Emergency Medical Services Authority - \$10.647 million</b>
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**Background.** Item 4120-001-0001 is augmented by \$10.647 million for the Emergency Medical Services Authority (EMSA) for the purchase and refurbishment of ventilators, the purchase of intravenous (IV) fusion pumps, and an expanded contract for patient transportation services.

**Ventilators and IV Infusion Pumps - \$8.647 million.** This augmentation is being used to support the purchase of new ventilators, the refurbishment of ventilators already possessed by the state, and the purchase of IV fusion pumps. In total, the state is purchasing 810 new ventilators, which includes pediatric ventilators. The order was placed through Medical Dynamics. Below is a breakdown provided by the Administration:

<b>Purchase Orders</b>		
<b>Purchase Order Number</b>	<b>Description</b>	<b>Amount</b>
2518	100 Ventilators	\$1,363,198.75
2519	495 Ventilators	\$3,850,064.97
2520	190 Ventilators	\$1,465,107.40

2521	5 Mini Ventilators	\$61,045.26
2524	20 Mini Ventilators	\$242,913.00
EMSA 3182020	810 IV Infusion Pump Systems 4,050 IV Admin.ets	\$1,579,500.00
TBD	300 Ventilators in caches (Testing Only)	\$85,000.00
	<b>TOTAL</b>	<b>\$8,646,829.38</b>

The state will be receiving 15 ventilators per day until all 810 ventilators are secured—all of the orders should be filled by mid-May. The state also located an additional 300 ventilators that were in storage and had them tested.

**Medical Transportation – \$2 million.** The state is using this augmentation to contract with American Medical Response to provide patient transportation and stand-by services.

#### Questions.

1. How many of the 810 ventilators has the state received? Is Medical Dynamics meeting the goal of 15 ventilators per day?
2. Please provide an update about the status of the 300 ventilators that were tested. Are they viable for use?
3. How many additional ventilators and IV fusion pumps does the state need?

Please describe the nature of the contract with American Medical Response for patient transportation and stand-by services

**March 31, 2020 – Section 36 Letter – Safety Net Programs**

**Augmentation Summary.** The 2019-20 Budget Act was augmented by \$111.04 million to assist state and local governments prepare for and respond to the spread of COVID-19 cases in assisted living facilities and address the administrative costs associated with the increase in caseload for safety net programs including CalFresh, CalWORKs and Medi-Cal.

**Issue 1 – Department of Social Services - \$41 million**

**Background.** Item 5180-001-0001 was augmented by \$41 million for the Department of Social Services (DSS) to temporarily relocate residents residing in assisted living facilities impacted by COVID-19.

According to DSS, these funds will go directly from DSS to assisted living facilities that provide beds to residents currently living in an assisted living environment. The plan is to temporarily relocate to temporary locations current assisted living residents who:

- Need to be relocated due to potential exposure, including cases where staff or a resident(s) has tested positive for COVID-19 in their current facility.
- Need temporary relocation because the resident(s) is recovering from COVID-19 and no longer needs hospitalization but needs more days in isolation and cannot immediately return to their original assisted living facility due to concerns about physical distancing.
- May be sick and possibly a COVID-19 case but does not require hospitalization yet.

DSS plans to reimburse the facilities that volunteer for this program \$5,000 per bed per month. The funds will be used to pay for relocation, staffing, laundry, feeding, supplies and any other items needed to support the resident. The cost includes a 20% pay differential for staff to provide incentives to people who are willing to work in an environment that could include possible COVID-19 cases. The department surveyed facilities to get an estimate of staffing costs and used those numbers to develop the pay differential – which is included in the \$5,000 per bed reimbursement.

DSS estimates the \$41 million will cover the cost of approximately 3,000 beds for 3 months (thru June). The estimate is based on modeling that the department did based on infection rate and potential relocation needed. They believe that 3,000 beds is the rough estimate of the number of beds that will be needed during the surge.

At the time this Section 36 letter was issued, the department was actively looking for beds. They worked with assisted living facilities that were newly licensed or soon to be licensed and asking them to make those facilities available. The department was also working with the larger facilities to see if separate wings, buildings or whole floors could be made available for COVID-19 patients. They identified facilities that had the capability of isolating the temporary residents from current residents.

The department noted that staff at assisted living facilities are becoming symptomatic and staffing needs are going up.

**Questions.**

1. Please provide an update on how many assisted living facilities, residents, and staff have been impacted by COVID-19 in terms of needing temporary relocations.
2. Please provide an update on the number of assisted living facilities that have volunteered for this program and the number of beds that have been made available. How are the facilities distributed throughout the state? Is the need for temporary relocations isolated to certain areas of the state? If so, where?
3. Please provide the committee with the modeling and back up data used to develop the estimate and the scope of the problem.

**Issue 2 – Department of Social Services - \$20 million**

**Background.** Item 5180-151-0001 was augmented by \$20 million for DSS to contract with food banks to help address the increase in food needs among low-income and food-insecure populations.

The \$20 million will be spent on purchasing and distributing food through local food banks in all 58 counties. The funding will enable the department to purchase food boxes and fresh produce. DSS has made purchase orders for food boxes that will be delivered to the 50 food banks that serve the 58 counties. The augmentation will allow the department to purchase 900,000 boxes that will be delivered over a two-month period. At the time this Section 36 letter was issued, DSS already had six truckloads of food boxes ready for delivery to California. According to the department, they needed to move quickly because they were anticipating that the large grocers were going to make large purchase orders to address the increased national demand. The department is partnering with the California Association of Food Banks because they have the capacity to move, store and deliver a large amount of food.

**Questions.**

1. Please provide an update on the purchase and distribution of the food boxes and produce.
2. Are there other opportunities to leverage federal funds to address food insecurities during the COVID-19 crisis?
3. Will this additional funding put the state's network of food banks at capacity? Or could they continue to scale up if more funding is available?

**Issue 3 – Department of Social Services - \$5 million**

**Background.** Item 5180-111-0001 was augmented by \$5 million to support counties in conducting wellness calls and visits to In-Home Supportive Services (IHSS) recipients and seniors to ensure they are getting the services they need.

As a result of the stay-at-home orders, IHSS recipients and seniors may have problems getting the services they need. The \$5 million will help support counties conduct additional welfare checks and other outreach efforts (phone call check-ins). Social workers are calling and visiting their current clients and responding to an increase in requests for assistance. The \$5 million will cover the overtime costs for county social workers.

**Questions.**

1. How did the administration determine that \$5 million was the appropriate amount for this request?
2. Please provide an update on the outreach efforts. What criteria, if any, are IHSS social workers using to prioritize which IHSS recipients require a wellness check-in? How many IHSS recipients have been contacted thus far? What were the outcomes of these wellness checks (e.g. increased IHSS service hours, identified need for back-up IHSS provider, etc.)?
3. Is \$5 million sufficient to cover all of the overtime costs that counties are incurring from the increased outreach efforts?

**Issue 4 – Department of Social Services - \$24 million**

**Background.** Item 5180-141-0001 is augmented by \$24 million to support counties in addressing the increased administrative workload associated with the CalFresh Program.

The \$24 million will help counties with the increased workload associated with the higher demand for CalFresh. The department reported that the counties are seeing a significant increase in the enrollment for CalFresh.

**Question.**

1. Please provide an update on the increased enrollment for CalFresh.

**Issue 5 – Department of Social Services - \$7.98 million**

**Background.** Item 5180-101-0001 is augmented by \$7.98 million to address increased county administrative costs associated with CalWORKs enrollment.

Counties are seeing an increased demand for all social service programs. The \$7.98 million will address the increased workload associated with CalWORKs enrollment. This is an estimated amount because the increase in CalWORKs enrollees will lag. The department reported it will have a better estimate in May and will provide the Legislature with caseload increase estimates as part of the revised 2020-21 budget proposal.

**Questions.**

1. Please provide an update on the county administrative workload.
2. Are there other county administrative costs that are increasing?
3. Does the department anticipate an additional Section 36 letter to address workload costs?

**Issue 6 – Department of Health Care Services - \$12.7 million**

**Background.** Item 4260-101-0001 is augmented by \$12.7 for counties to address increased eligibility workload in the Medi-Cal program.

The counties are seeing an increase in Medi-Cal enrollment applications. Additionally, the state is taking steps to cover COVID-19 testing and potentially treatment for a new uninsured category through Medi-Cal, which will increase county workload. However, redeterminations—activities counties would ordinarily undertake to verify whether a Medi-Cal beneficiary continues to be eligible for the program—are temporarily suspended. This reduces county workload. The \$12.7 million is for the current year and any increase after June will be part of the revised 2020-21 budget proposal. The department is starting to get data on the increased number of applications and will make an additional augmentation using the Section 36 process if there is additional need for this fiscal year.

**Questions.**

1. Please provide an update on the increased enrollment and plans to implement new eligibility categories.

**April 2, 2020 – Section 36 Letter – Small Business Assistance**

**Augmentation Summary.** Item 0509-601-0001 was augmented by \$50 million for the Small Business Finance Center at the California Infrastructure and Economic Development Bank (IBank) to recapitalize the Small Business Loan Guarantee Program (SBLGP).

**Background.** The \$50 million will provide loan guarantees to small businesses that are low-income businesses that have low credit scores and/or businesses that are unbanked or underbanked. According to the Administration, these types of businesses will not qualify for the small business loans being offered through the federal stimulus package. The \$50 million will address gaps in the federal disaster relief fund.

The federal stimulus package includes a partially forgivable loan program and an economic injury disaster loan program for small businesses impacted by the COVID-19 crisis. Unfortunately, in the near-term, there are a lot of small California businesses that will not be able to take advantage of the federal stimulus financial assistance for multiple reasons. The forgivable loan program is administered by banks that participate in the program. Currently not all banks are participating. Those banks that are participating generally have made loans available only to businesses that have a pre-existing relationship with the banks and that have a good credit history. The U.S. Small Business Administration (SBA) directly administers the economic injury disaster loan program. According to the administration, small businesses with low credit scores will not qualify for an economic injury loan from the SBA. As a result, many small low-wealth, low-credit score businesses may not be able to take advantage of the federal assistance. This includes small business in low-income communities, businesses owned by undocumented individuals and minority owned businesses.

The \$50 million augmentation will provide loan guarantees not direct loans. The guarantees will be administered by GOBiz and the I-Bank. They are partnering with Community Development Financial Institutions (CDFIs) to identify small businesses that are in need of assistance. CDFIs are certified to work with low-income and unbanked small businesses. This is not a new program – the \$50 million is augmenting the assistance that CDFIs already provide to unbanked and low-income businesses. CDFIs have been serving these businesses for years, so the department is confident that they will be serving a group of businesses that cannot qualify for the federal assistance.

The department reported the \$50 million will enable it to assist approximately 2,200 small businesses.

The loans guaranteed with these funds will have low or no interest rates and will have a 12-18 month repayment plan. There is a \$50,000 cap on the loan guarantee.

The department reported that the augmentation will assist a wide-range of businesses including retailers, restaurants, attorneys, wholesalers, car detailers and many others.

**Questions.**

1. Please provide an update on how many businesses have requested assistance from CDFIs and the total in amount of loan guarantees?
2. Are there other types of financial assistance that the Administration is considering that could provide immediate relief to small businesses that do not qualify for federal aid programs?
3. Are there ways that the state can better help small businesses access the federal forgivable SBA loan and the SBA economic injury disaster loan programs?

**April 2, 2020 – Section 36 Letter – Correctional Institutions**

**Augmentation Summary.** This is an augmentation of \$8,715,136 that will reimburse local law enforcement for the actions taken by the Administration that transferred responsibility for housing and supervising individuals that were previously the state's responsibility or in the state's custody.

**Issue 1 – California Department of Corrections and Rehabilitation - \$5.7 million**

**Background.** Item 5225-604-0001 was augmented by \$5,743,917 for the California Department of Corrections and Rehabilitation (CDCR) to reimburse counties for housing inmates due to the 30-day temporary stoppage of prison intake.

The \$5.7 million will reimburse county sheriffs for the state's legal obligation to accept new commitments within five days of being referred to state prison. If the state does not accept a new commitment, Penal Code section 4016.5 requires the state to reimburse the county on a per day basis. Since the state suspended prisoner intake, counties will be required to house anyone sentenced to prison over a 30-day period that began on March 24. The existing daily rate is \$77.17, which dates back to 2011-12. The Administration is proposing to increase the amount by the Consumer Price Index (annual inflation rate) to \$93.54 a day. On average, the state receives approximately 3,000 inmates a month from counties.

**Questions.**

1. What factors went into determining the reimbursement rate?
2. What period of time does the \$5.7 million cover? Will that amount double for the month of May? Triple for June?
3. How was it determined that it would be appropriate to stop intake for 30 days?
4. Is the Administration planning on having the locals house any additional incarcerated individuals?

**Issue 2 – Board of State and Community Corrections - \$2.97 million**

**Background.** Item 5227-604-0001 was augmented by \$2,971,219 for the Board of State and Community Corrections to reimburse counties for supervising individuals released up to 60 days earlier than scheduled from state prison to Post-Release Community Supervision (PRCS) in response to the COVID-19 crisis.

The \$2.97 million will reimburse county probation agencies for the increased number of individuals under PRCS. As a result of the Governor’s Executive Order, CDCR is expecting to release 3,500 inmates who are in the pre-release planning stage of their sentence and are within 60 days of their release. The early release only applies to non-sex offender, non-violent, non-domestic violence offenders.

Approximately 2,300 of these individuals will be released to PRCS, which requires county probation to supervise them. The other 1,200 individuals will be on state parole. The state estimates that it costs \$10,250 annually to supervise someone on PRCS. The state is only reimbursing county probation for the period of time that the person would have been in a state prison (up to 60 days, depending on the person’s release date.) To simplify the formula, the Administration decided to reimburse the counties using either 30 days or 60 days and multiply that by the daily cost. For inmates who had less than 30 days left in prison, the counties will get reimbursed for all 30 days. For inmates that had between 31 days and 60 days left on their term, the counties will get 60 days of reimbursement.

See attachment for the allocation to counties for PRCS costs.

**Questions.**

1. Has CDCR determined the level of population reduction that would be necessary to prevent, or substantially reduce, the likelihood of a COVID-19 outbreak? If so, please describe the level and how it was determined. If this level of population reduction is greater than what would be achieved by the steps that have been discussed, does CDCR have any other plans to further reduce the inmate population to address physical distancing?
2. What other steps, aside from population reduction, does the Administration plan to take to reduce the spread of COVID-19? For example, will CDCR use of any of its currently vacant facilities or expand the use of contract facilities to reduce crowding?
3. To what extent are inmates and staff being provided with personal protective equipment?

**April 7, 2020 – Section 36 Letter – Personal Protective Equipment - \$495 million**

**Augmentation Summary.** Item 0690-001-0001 was augmented by a total of \$495 million for the California Office of Emergency Services (Cal OES) to purchase N-95 and surgical masks. \$188,177,864 will be allocated to Cal OES from the Section 36.00 funds appropriated by SB 89. The remaining amount, \$306,822,136 will be allocated from the Disaster Response-Emergency Operations Account (DREOA).

**Background.** According to multiple reports, personal protective equipment (PPE) is in high demand but in short supply. Healthcare and public health professionals have stressed the importance of having an adequate supply of masks and other PPEs - critical in helping to prevent the transmission of COVID-19. At this time, all essential employees including healthcare workers, first responders, in-home care providers, grocery workers, school employees and teachers, sanitation workers, childcare workers, and public safety and corrections personnel are in need of additional PPE.

On April 7, the Department of Finance (DOF) notified the JLBC that it was augmenting the budget by \$495 million for the purchase of personal protective masks. This is the first payment that Cal OES will be making to a California-based distributor, BYD North America, for the PPE. The total amount of the contract is estimated to be \$990 million.

Cal OES is purchasing 200 million masks a month for a total of 400 million masks between May 1, 2020 and June 30, 2020. According to the Administration, the state will receive 150 million N95 masks and 50 million surgical masks each month. (N95 masks are specialized masks that generally provide a higher level of protection from COVID-19 than surgical masks.) The Governor has indicated that the state may provide some of these masks to other states if they are not needed in California.

According to the Administration, the masks are being procured through BYD North America, a company that has contracted with the state in the past for electric vehicles. BYD North America has an electric bus manufacturing plant in Lancaster and opened a northern California service center in San Carlos in 2019. BYD North America is a subsidiary of the Chinese company, BYD, which also manufactures electric vehicles, including cars and buses. The masks will be manufactured overseas in the BYD plants in China.

According to the Section 36 letter, the state “has already ordered approximately \$1.4 billion of PPE. California is continuing to secure PPE, through multiple channels, including purchases of existing stocks from suppliers, donations, and issuing PPE from both state and federal stockpiles. Finally, with our partners in the federal government, California will obtain and strategically place sterilization units across the state so that we can clean and re-use PPE such as N95 masks.”

In a letter dated April 10, 2020, DOF indicated that it anticipates the state will spend approximately \$7 billion on COVID-19-related response costs in 2020. This includes the purchase of PPEs, addition of hospital surge capacity, and other response-related activities. (This amount includes the funding that has been provided to date as part of this Section 36 letter and other recent

notifications.) However, at this time, the administration has not provided details on how much of the \$7 billion is anticipated to be needed for the purchase of PPE.

**Questions.**

1. Please provide the Committee with an overview of the contract with BYD.
2. Please provide the Committee with information about what protection clauses that are included in the contract.
3. What will be the fund source for the remaining \$495 million? What process will be used to ensure that the Legislature has adequate notice regarding the allocation of this \$495 million?
4. Please provide the Committee with rundown of the PPEs that have been ordered as part of the \$1.4 billion referenced in the Section 36 letter and a breakdown of the funding sources.
5. Please provide the Committee with a summary of how the masks that the state purchases will be allocated within California and the justification for this allocation methodology. What is the timeline for essential workers, such as IHSS workers and grocery store workers, who are not on the healthcare frontline or in skilled nursing facilities, to start receiving PPE?

**April 10, 2020 – Section 36 – Access to Child Care**

**Augmentation Summary.** Item 6100-194-0001 was augmented by \$50 million for the California Department of Education (CDE) to allocate to existing state subsidized child care providers to increase access to child care for essential workers and at-risk populations.

**Background.** The \$50 million will temporarily expand the number of child care slots that are available to front-line workers and other at-risk populations. The funds will be used to add to the supply of vouchers to allow children of essential workers and those in at-risk populations to find child care through June 30, 2020.

To qualify for these additional child care slots, the family of the child must meet the criteria as provided in CDE’s Management Bulletin 20-06. The priority for enrolling children of new families includes:

- At-risk populations, including:
  - Children receiving child protective services or at risk of abuse, neglect, or exploitation;
  - Children eligible through the Emergency Child Care Bridge Program for Foster Children;
  - Families experiencing homelessness;
  - Children of domestic violence survivors.
- Families with children of essential workers as defined by the State Public Health Officer’s list of “Essential Critical Infrastructure Workers” whose incomes do not exceed 85 percent of the state median income (currently \$69,620 for a family of three).
- Families with children with disabilities or special health care needs whose Individualized Education Plans (IEPs) or Individualized Family Services Plans (IFSPs) include early learning and care services.
- Families with children of essential workers as defined by the State Public Health Officer’s list of “Essential Critical Infrastructure Workers” whose incomes exceed 85 percent of the state median income but have family assets that do not exceed \$1 million.

**Questions.**

1. Will children served by this augmentation be able to continue receiving child care beyond the current fiscal year?
2. What is the anticipated demand for these additional child care slots? To what extent are child care providers open and able to accommodate additional children within their existing facilities?

3. What is the Administration's plan for ensuring child care providers remain open long term to serve the needs of the state's families?
4. What are the plans for the funding that the state will receive from the Child Care and Development Block Grant?
5. What is the administration's plan for anticipated unexpended current year funds in CalWORKs child care Stage 2, General Child Care, and State Preschool, which is currently estimated to be in excess of \$250 million?

**Budget and Fiscal Review Subcommittee No. 1 - Background Issues****Issue 1 – Child Care System – Stabilization and Provision of Care for Essential Workers**

**Funding.** California provides child care and development programs through vouchers and contracts.

**Vouchers.** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can also use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. If a family chooses a child care provider who charges more than the maximum amount of the voucher, then a family must pay the difference, called a co-payment. Typically, a Title 22 program – referring to the state Title 22 health and safety regulations that a licensed provider must meet — serves families who receive vouchers. The Department of Social Services (DSS) funds CalWORKs Stage One, and county welfare departments locally administer the program. The California Department of Education (CDE) funds the remaining voucher programs, which are administered locally by Alternative Payment (AP) agencies statewide.

**Contracts.** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations — must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDE. These programs receive the same reimbursement rate (depending on the age of the child), no matter where in the state the program is located.

For license-exempt care, reimbursement rates are set at seventy percent of the regional reimbursement rate established for family child care homes, except for hourly rates, which are set by dividing the weekly rate by 45 hours, to arrive at a rate that can in some cases be around 25 percent of the family child care home hourly rate.

Subsidized child care programs are funded by a combination of non-Proposition 98 state General Fund and federal funds. The exception is state preschool – programs provided by local educational agencies (LEAs) are funded within the Proposition 98 Guarantee, while programs provided by non-LEAs are funded outside of the Proposition 98 Guarantee.

California also receives funding from the federal Child Care and Development Fund (CCDF), which is comprised of federal funding for child care under the Child Care and Development Block Grant (CCDBG) Act and the Social Security Act and from federal TANF funds.

**COVID-19 – Related Actions to Date:**

During the COVID-19 Emergency, many child care centers have closed or reduced the number of children being served. Many families may be choosing to keep children at home if they are able to. However, child care providers may still provide care to children of essential workers. The

California Department of Education (CDE) is currently surveying the field to get counts of which providers are closed and statewide estimates should be available soon.

Specific actions to date have been as follows:

The Governor issues Executive Order N-26-20 on March 13, 2020, which included direction that LEAs would continue to receive funding through COVID-19 related closures if they met certain requirements, including to the extent practicable, providing supervision for students during ordinary school hours. Upon the advice of local public health agencies, most local educational agencies closed schools on or around March 16, 2020. Since this time, schools have generally remained closed indefinitely, with most recently extending the closure through the end of the 2019-20 school year.

SB 117 (Committee on Budget and Fiscal Review) Chapter 3, Statutes of 2020, passed on March 17, 2020 and made the following relevant changes consistent with EO N-26-20: 1) Ensured that LEAs would continue to receive funding through the end of the school year regardless of school closures; 2) Ensured that After School Education and Safety program providers would continue to receive funding through the end of the school year regardless of closure; and 3) Required the Superintendent of Public Instruction to develop guidance for child care and development programs pursuant to EOs, including for the waiver of attendance and reporting requirements to ensure continuity of payments to state-subsidized child care programs.

The Department of Social Services (DSS) Community Care License Division provided additional guidance to the field through a Provider Information Notice on March 16, 2020 that provides emergency waivers for the operation of temporary employer-sponsored child care, waivers of licensing standards for licensed or TRUSTLINE child care providers, and information on prevention, containment, and mitigation measures for COVID-19.

On March 18, 2020, the CDE issued Management Bulletin 20-04 which provided immediate guidance to the field on contracts and voucher-based child care payments. Specifically, the guidance specified that fiscal and attendance reporting deadlines are extended until May 20, and that center based contractors who close fall under the emergency closure guidance and continue to receive payments through the end of the contract year. Those that remain open but have absences, may report COVID-19 related absences as excused and will continue to receive payment through the contract term. For Alternative Payment (AP) providers, who receive voucher-based payment, those who closed due to COVID-19 will continue to receive payment for 30 days after the closure date. AP providers who remain open will be reimbursed based on the certified need and for families with variable schedules or license-exempt providers, the reimbursement shall be for the maximum certified need. Families that were using an AP provider that has since closed, may select an alternate provider to be paid.

On March 19, 2020, April 4, 2020, and April 7, 2020, respectively, the Governor issued Executive Orders (EO) N-33-20, EO N-45-20, and EO N-47-20, which in pertinent part during the State of Emergency:

- Require that all California residents stay at home unless they are considered “Essential Critical Infrastructure Workers” (essential workers), which were defined through Executive Order.
- Sustain childcare subsidies for currently enrolled families.
- Provide that the eligibility requirements for children with parents who are essential workers, as defined above, and children with disabilities and special health care needs whose Individual Education Plans or Individual Family Support Plans include early childhood education services, are waived for non-CalWORKs federal and state subsidized ELC services. This action applies to the following programs: Alternative Payment Program (CAPP), California State Preschool Program (CSPP), General Child Care (CCTR), and Family Child Care Home Education Networks (CFCC).
- For children of essential critical infrastructure workers, and those with disabilities or special health needs, waive enrollment priorities in *Education Code* Section 8263(b)(2) and (3), other than prioritizing income-eligible families over families that are not income eligible; and any accompanying regulations, with respect to non-CalWORKs early learning and care services.
- Waive requirements to allow children enrolling in emergency care as a child at risk of abuse, neglect or exploitation to enroll without the need for a written referral from a legal, medical or social services agency.
- Require the CDE and the California Department of Social Services (CDSS) to jointly develop guidance on the order of prioritization for services, which shall include, but not be limited to, provisions intended to ensure that neglected or abused children who are recipients of child protective services, or children who are at risk of being neglected or abused, retain first priority for services as specified in *EC* Section 8263(b)(1).

The CDE subsequently released Management Bulletin 20-06 on April 9, 2020 which encourages all child care programs that can safely remain open or those that can re-open to do so. The bulletin specifies that programs are open to serve children of essential workers or at-risk children as defined by the EOs. Further, the guidance allows contractors to enroll new families in emergency childcare and that emergency childcare is available through June 30, 2020. New families are eligible if: 1) child care is needed so that parents can perform essential duties; 2) both parents are essential workers or one parent is an essential worker and the other is unable to provide care due to incapacitation; 3) the family cannot work remotely; and 4) family assets are less than \$1 million. If providers have served all eligible families and still have additional space within group size requirements, they may consider adding additional private pay families. When the emergency orders are lifted, providers will be expected to return to serving all currently enrolled families. The bulletin further specifies the determination of eligibility and order of priority for eligible workers and categories of essential workers. Finally, the guidance specifies group size requirements and operating guidelines. In addition, on April 9, 2020 the CDE released Management Bulletin 20-05, which waives family fees for child care for April, May, and June 2020

### **COVID-19 Related Funding Efforts:**

On Friday, April 10, the Administration released two Section 36.0 (SB 89 (Committee on Budget and Fiscal Review) Chapter 2, Statutes of 2020) letters to the Joint Legislative Budget Committee requesting a total of \$100 million of General Fund to be used for the following child care purposes:

- \$50 million to provide non-LEA child care providers, which remain open, a flat rate allocation for the purchase of protective equipment, cleaning supplies, and cleaning labor in accordance with COVID-19 emergency public health and safety guidance.
- \$50 million to allocate to existing state subsidized child care providers for the support of additional access to early learning and care for essential workers and at-risk populations.

In addition, with the passage of the federal Coronavirus Aid Relief, and Economic Security (CARES) Act on March 27, 2020, an additional \$3.5 billion in one-time federal Child Care Development Block Grant funds are available for COVID-19 response. California's share is estimated to be \$347 million and funds are intended to supplement and not supplant state funds currently used to provide child care. Allowable uses of funds include: 1) provide continued child care payments to providers in the case of decreased enrollment or closure to ensure providers may remain open or reopen; 2) provide child care access to children of essential workers regardless of income; and 3) support child care providers with cleaning, sanitation, and other activities necessary to maintain or resume operations. The Administration has not provided details on the proposed use of federal funds at this time, including whether these funds may be used to backfill the \$100 million provided through the Section 36 process, as noted above.

Finally, staff notes that there are many reports of local government and private partnerships providing child care funding. Including through pop-up child care center located across the state, many in partnership with local hospitals, and other funds or grants that families and providers may draw down. Much of this local support is short term and funding limited.

## **Issue 2 – K-12 Education Response to COVID-19**

In early March 2020 as cases of COVID-19 were appearing and increasing in California, the Governor and local leaders took actions to prevent further spread of the virus. In an effort to limit the gathering of large groups of students and adults, state and local public health officials provided guidance to schools that they should close. Upon the advice of local public health agencies, schools closed on or around March 16, 2020. Since this time, schools have generally remained closed and most have extended their closure date through the end of the 2019-20 school year.

The Governor issued Executive Order N-26-20 on March 13, 2020, which included assurances that local educational agencies (LEAs), (school districts, charter schools, and county offices of education) would continue to receive funding through COVID-19 related closures.

**COVID Related Funding and Actions**

Executive Order N-26-20 specifically noted that a schools may close due to COVID -19 and that closure would qualify as a valid reason for not being able to meet the 175 day minimum school year. In addition, the order specified that the LEA would continue to receive state funding during the closure and encouraged schools to use the funding to support the following priorities:

- i. Continue delivering high-quality educational opportunities to students to the extent feasible through, among other options, distance learning and/or independent study; and*
- ii. Provide school meals in noncongregate setting through the Summer Food Service Program and Seamless Summer Option, consistent with the requirements of the California Department of Education and U.S. Department of Agriculture;*
- iii. Arrange for, to the extent practicable, supervision for students during ordinary school hours; and*
- iv. Continue to pay its employees.*

The order also clarifies that the LEA may offer distance learning or independent study to impacted students and waives all laws that may state otherwise. The order further specifies that state agencies will work to provide guidance related to distance learning, serving students with disabilities, provision of meals for students, supporting parents with child care, and encouraging employers to support families who need to care for children during regular school hours.

Subsequently, the Legislature passed and the Governor signed into law on March 17, 2020, SB 117 (Committee on Budget and Fiscal Review), Chapter 3, Statutes of 2020. The law specified the following flexibilities for LEAs:

- Ensures that LEAs continue to receive funding for the 2019-20 school year regardless of closure due to COVID-19, by using attendance reporting from July 1, 2019 through February 29, 2020 to calculate average daily attendance for funding apportionments.
- Waives the requirement in education code for instructional days and minutes for LEAs during COVID-19 closures.
- Specifies that charter schools that do not currently have an independent study program or distance-learning program in their currently approved petition shall not be required to submit a material revision to its authorizer in order to offer those types of programs in response to closure due to COVID-19.
- Ensures that After School Education and Safety Program grantees continue to receive funding for the remainder of the school year as if the program had operated the full program.
- Extends assessment windows for the 2019-20 school year. Assessment requirements were subsequently waived by the federal Department of Education due to nation-wide school closures.
- Specifies that timelines for the Uniform Complaint Procedures are extended by the length of a school's closure due to COVID-19.

- Specifies that the Superintendent of Public Instruction shall consider the days following the schools closure due to COVID-19 as days between a pupils' regular school session, until the school reopens and regular session convenes when determining local educational agency compliance with special education timelines and service provision. This action does not affect federal Individual with Disabilities Education Act requirements, which governs much of the special education requirements.

In addition, the bill provided \$100 million in one-time Proposition 98 General fund to the Superintendent of Public Instruction to apportion to LEAs for purchasing personal protective equipment or for supplies and labor costs of cleaning school sites. Guidance from the Department of Education also allows the use of these funds to more broadly meet the requirements of the Governor's executive order.

With the passage of the federal Coronavirus Aid Relief, and Economic Security (CARES) Act on March 27, 2020, an additional \$13.5 billion in one-time federal Elementary and Secondary School Emergency Relief funds are available for COVID-19 response. A rough estimate is that California would receive around \$1.7 billion. Of this, 90 percent would be provided to LEAs on a formula basis similar to how Title I funds are distributed (based on low-income students) and may be used for a variety of purposes, including educational programs, mental health, distance learning supplies, cleaning and other COVID-19 response activities. The remaining funds are designated for state level activities and the state has some discretion over how to use these funds to respond to COVID-19.

In addition, the CARES Act includes \$3 billion for Governors to allocate to Pre-K through 20 educational entities to support continuity in educational services, provide child care and preschool, increase access to social and emotional support, and protect education-related jobs. California is estimated to receive \$360 million. Additional funding for COVID-19 response is available in the areas of child nutrition, rural area support, and other smaller grants.

### **LEA Response**

LEAs across the state began to close after the executive order, first for a few weeks and now most LEAs have notified families that they will remain closed through the remainder of the school year. LEAs have responded in varying ways to these unforeseen circumstances. Continuing areas of concern include: 1) Implementation of distance learning including meeting technology needs of students; 2) Provision of nutrition services; and 3) Meeting the needs of special education students. Many LEAs have used the time immediately following closure and through planned breaks to begin addressing these challenges and have begun to roll out formal distance learning this week and into the next few weeks. Efforts at surveys have been underway, but at this point, there is no statewide data on what each LEA is providing for students.

**Issue 3 – Higher Education**

The CARES Act provided \$14 billion to the country’s higher education institutions. Of this funding, approximately \$1.7 billion will be distributed to California’s higher education institutions. Half of this funding is for emergency student aid. The remainder is provided to colleges for expenses directly related to coronavirus and disruption of campus operations. The University of California will receive \$260 million, California State University will receive \$525 million, the California community colleges will receive \$577 million, non-profit colleges and universities will receive \$156 million and for-profit institutions will receive \$170 million total.

According to an April 9th letter from the U.S. Secretary of Education, “The CARES Act provides institutions with significant discretion on how to award this emergency assistance to students. This means that each institution may develop its own system and process for determining how to allocate these funds, which may include distributing the funds to all students or only to students who demonstrate significant need.”

The state’s higher education institutions are currently in the process of deciding how to distribute the emergency student aid, and it is unclear what the eligibility criteria is to receive the emergency grants. In particular, it is unclear if the most vulnerable students, such as low-income students or undocumented students will be eligible to receive additional support or aid.

**Budget and Fiscal Review Subcommittee No. 2 - Background Issues****Issue 1 – Agricultural Industry**

More than a third of the country’s vegetables and two-thirds of its fruits and nuts are grown in California. Stay-at-home orders in California exempt farmworkers as essential employees.

The estimated workforce is approximately 420,000. Many farmworkers are undocumented, lack health insurance, and do not qualify for unemployment insurance or federal COVID-19 relief. According to the US Bureau of Labor Statistics, farmworkers in California make \$26,000/year.

According to a recent CALMatters article, “Much of the food grown for restaurants, which constitutes about half of the market for produce, is nearing the end of its perishable life’s cycle. Researches expect to see a \$688.7 million decline in sales for farmers from March to May 2020. (Manuela Tobias and Robert Rodriguez, “Farmers are forced to let crops rot and throw away milk while food bank demand soars,” CALMatters, April 11, 2020.)

For farmers impacted by the pandemic, it is more cost-effective to let crops rot in the fields — They cannot afford to harvest if there is no market for it, and food banks cannot cover the full cost of labor. Dairy farmers in the San Joaquin Valley, the center of the state’s dairy industry, were forced to dump thousands of gallons of raw milk in recent weeks because restaurants, schools, and exports have all but dried up. Restaurant dairy producers cannot simply redirect their cheese and butter to retail because they cut huge slabs the grocery stores cannot take.

According to CALMatters, the state has now directed farmers to stop dumping and instead either dry the cows, so they do not produce more dairy, or beef them, but both options pose big costs to farmers. And according to Western United Dairies, by producing more meat, they are “creating a reciprocal crisis on the beef market.” Dairy Farmers of America, one of the largest organizations that buys milk from farmers, has asked about 10 percent of its members to dispose of their milk, including at estimated 20 dairies in California.

CDFA has been urging farmers to donate their surplus produce. On April 1, the California Association of Food Banks booked four million pounds in one day.

**FEDERAL**

According to the American Farm Bureau, pursuant to the CARES Act, the federal Office of Secretary of the Department of Agriculture received \$9.5 billion, approximately 19 percent of the total food an agriculture provisions, to provide financial support to farmers and ranchers impacted by coronavirus. The funding is allocated specifically for specialty crops, producers who supply local food systems and farmers’ markets, restaurants and schools, livestock producers (ranchers), and dairy farmers. Labeling requirements have been waived to get restaurant goods into grocery stores. Small Business Administration loans are being extended to farmers.

**Issue 2 – Wildfire Prevention**

On March 24, 2020, the US Forest Service (USFS) Pacific Southwest Region suspended all new ignitions for prescribed fire until further notice. The purpose of the suspension is to reduce air pollution and protect fire personnel and those who may be in higher-risk groups for COVID-19, such as the elderly and those with underlying respiratory conditions. California Forestland totals 33 million acres:

- 57 percent (19 million acres) of forestland are owned and managed by federal agencies (including the US Forest Service, Bureau of Land Management, and National Park Service);
- Three percent (700,000) acres are owned by state and local agencies, including CalFire, local space, park and water districts, and land trusts;
- 40 percent (13.3 million acres) are privately owned, including individuals/families, Native American tribes, and companies.

**Issue 3 – California Museums**

CA museums are losing over \$22 million per day due to statewide quarantine. By May 1<sup>st</sup>, the museum sector will have lost \$929 million in revenue. Reductions in revenue sources include:

- 93 percent canceled programs that generate revenue
- 72 percent have decreases in admissions revenue
- 70 percent canceled fundraising/campaigns
- 60 percent decrease in membership revenue
- 52 percent decrease in endowment revenues or reserves.

Full-time equivalent of CA museum workforce has decreased 10 percent. The California Association of Museums is urging Congress to support museums in the Phase 4 economic relief.

**Issue 4 – Local Transportation Revenue**

The COVID-19 pandemic and related economic fallout has resulted in significant declines in local transportation revenues, particularly in two key sources: gas taxes and transit fare revenue.

Vehicle Miles Traveled (VMT) in the state has declined significantly statewide since the declaration of a statewide emergency. This will eventually translate into a proportional decline in gas tax revenue that typically flows to local transportation projects. While there is a lag in the collection and disbursement of these funds, local transportation projects are likely to face a cash crunch as the typical summer construction season ramps up.

Transit ridership has plummeted across the state as a result of the pandemic and local stay-at-home orders. This has impacted transit agencies that rely particularly heavily on farebox recovery - such

as BART and CalTrain - by dramatically reducing operating revenues. While the Federal CARES Act provided much-needed funding for transit operators, it likely will not plug the entirety of the revenue gap created by this crisis. This funding gap is exacerbated by a number of state rules that either increase transit costs or encourage undesirable outcomes during this crisis. For example, some state funding programs require transit operators to collect a certain portion of their revenue from passenger fares or lose state funding. In the current environment, many transit operators have stopped collecting fares entirely.

Additionally, many transit agencies receive funding from local sales taxes. As the economic impact of the pandemic expands, many cities and counties are forecasting significant declines in sales tax revenues. This will eventually lead to further reductions in available funding for transit operators.

**Budget and Fiscal Review Subcommittee No. 3 - Background Issues****Issue 1 – Nutrition**

Congregate meal settings have been shut down since mid March. Senior centers, adult day programs and the like have transitioned from providing meals in congregate settings to home delivery. Meals on Wheels programs around the state have been overwhelmed and, some are unable to meet need. Additionally, food banks are struggling to keep up with increased demand. They report that many of their volunteers who would normally provide home delivery are over 65 and in the “high risk” category and, therefore, they are no longer volunteering. The National Guard and the Conservation Corps have been assisting at food banks with packing and distribution of food.

While some restaurants have stepped in to provide meals to the elderly during this time there is still a gap in figuring out how to deliver those meals to seniors. The Governor recently announced a new partnership with FEMA that will connect restaurants with needy seniors.

The CARES Act waives matching requirements for additional funds under Support Services, Congregate Meals, Home-Delivered Meals, and Family Caregivers. It allows states to transfer 100% of supplemental funds between Congregate Meals and Home Meals. Waivers also are provided for home-delivered nutrition services and dietary guidelines. The bill also includes \$955 million nationally to support nutrition programs, home and community-based services, support for family caregivers, and expand oversight and protection for seniors and individuals with disabilities. However, none of these provisions provide for additional volunteers to deliver meals.

Additionally, the bill provides \$450 million nationally for the Emergency Food Assistance program (TEFAP) to assist food banks. California will receive approximately \$100 million, however the California Association of Food Banks (CAFB) has estimated a need of roughly \$116 million. The USDA has also indicated to CDSS that some resources may not arrive in California until July. Due to the delayed arrival of these resources, the CAFB has indicated the need for \$96 million to purchase commodities prior to July.

**Issue 2 – CalFresh Online Grocery Order and Delivery**

**Use of CalFresh benefits for grocery delivery.** California was recently approved to take part in a pilot allowing SNAP recipients to use their benefits for online food purchasing. While this will help respond to the pandemic it is uncertain how long it will take to get this program up and running. The CARES Act provided \$15.5 billion nationally to support additional program participation. However, no additional funds have been provided for pilot implementation.

**Issue 3 – Extension of “Hold Harmless” Program Waivers**

Many different programs within the social services areas (for example, CalWORKs and IHSS) have waived certain renewal provisions or have provided emergency allotments for recipients. However, many of these waivers and emergency allotments will end before the pandemic will likely end. For example, CalFresh recipients will receive emergency allotments in March and April, but the COVID-19 pandemic is predicted to last beyond April. The CARES Act provided \$15.5 billion nationally to support additional program participation. On April 10, the USDA notified California that it denied its requests provide emergency allotments that exceed the maximum benefits for a household’s size).

**Issue 4 – Access to Technology and Remote Services Learning**

This applies to education as well as medical and social services. Across many fields, Californians are losing access to vital services because they do not have the technology necessary to access remote services. The CARES Act provided \$100 million nationally to help ensure rural Americans have access to broadband. However, rural areas are not the only areas where access is an issue.

**Issue 5 – DD/IHSS Provider Backup Systems and the Availability of Live Scan Checks**

Many vendor sites that provide these Live Scan services closed early in the pandemic, leaving a gap in access to these services. This is especially critical during this time when additional workers are needed as backup while other workers self-isolate due to the pandemic.

**Issue 6 – PPE Availability**

This issue cuts across various fields within the human services arena. Child care providers, IHSS providers, direct service providers that serve older individuals and those with developmental disabilities, and similar workers need masks, gloves, cleaning supplies and other equipment to protect them and their clients. While the state just announced significant funding to purchase more PPE there is concern that this will not be enough and that the needed PPE will not make it to those who need it in time.

**Issue 7 – Planning for Massive Ramp Up of Public Health Testing/Contact Tracing/Isolation/Quarantine**

The imposition of shelter-in-place orders, physical distancing requirements, and face mask recommendations is designed to reduce the rate of interpersonal transmission of COVID-19 to levels that are manageable within the state’s health care system capacity. These efforts have shown some preliminary success in slowing the rate of new transmission in California. However, prior to the development of a vaccine, the low rate of prevalence of COVID-19 in the state’s total population (likely < 1 percent) leaves the vast majority of Californians susceptible to infection in the future. Several epidemiologic and public health experts have published recommendations regarding the next phase of managing the COVID-19 pandemic, particularly how the state will manage the emergence from shelter-in-place, given the risk of subsequent outbreaks. Broadly, these recommendations describe a robust case identification and contact tracing effort, and generally include the following conditions prior to implementation:

- Low transmission – Non-pharmaceutical interventions such as shelter-in-place and physical distancing must result in low numbers of new cases, hospitalizations, and low incidence as measured by other community surveillance methods before lifting these interventions may be considered.
- Maintenance of health care system surge capacity – Once the rate of transmission has diminished, the state must ensure the health care system remains adequately prepared should another outbreak occur when non-pharmaceutical interventions are relaxed. This surge capacity planning would include ensuring an adequate supply of hospital and intensive care beds, ventilators and other medical devices, personal protective equipment, and clear communication of treatment guidelines and best practices.
- Universal, on-demand testing – Any individual exhibiting symptoms of COVID-19 must be able to receive a test at the point of care, with rapid turnaround of test results. This capability is essential to the aggressive case identification that will be required to isolate individuals newly infected with COVID-19 to prevent subsequent transmission.
- Contact tracing, supervised isolation and quarantine – Individuals testing positive for COVID-19 after relaxation of shelter-in-place orders must be isolated and quarantined immediately to prevent further transmission. In addition, the state must have sufficient public health staff available to perform aggressive contract tracing, identifying every individual with whom the positive case came in contact several days prior to the positive test. These individuals would need to be contacted, informed they were potentially exposed, and quarantined, as well. The state would require substantial new resources to fund the training and deployment of the public health personnel needed to support this effort. In addition, the state would require the continued allocation of space for out-of-home quarantine and isolation, such as the field hospitals, hotels and motels, and other resources currently deployed.

**Issue 8 – Primary Care Providers**

**Background.** The implementation of the statewide shelter-in-place order is intended to reduce the rate of transmission of COVID-19 by reducing the rate of interpersonal contact among those who may be infected. In addition, for those that must leave their home, the state is recommending physical distancing from other individuals of at least six feet to avoid transmission. These actions are a necessary response to the pandemic as epidemiological studies suggest unchecked transmission of COVID-19 would overwhelm the capacity of the state’s health care system to treat all individuals requiring hospitalization. While the health care system is expanding its capacity to treat a surge of COVID-19 patients, most non-COVID-19 related care is being canceled or delayed. As a result, primary care providers including physician practices, clinics, and others, are experiencing significant declines in revenue. These declines have resulted in staff reductions, layoffs, and practice closures, placing at risk the availability of health care services when the pandemic period has ended.

The federal Medicare program has implemented the Accelerated and Advanced Payment Program, which provides hospitals, physicians, and other participants in the Medicare program with cash flow loans when there is a disruption in claims submission and/or claims processing, such as that occurring during the pandemic. Providers may request up to 100 percent of the amount they receive from Medicare for three months and up to six months for some providers. These loans are paid back over about seven months, or one year for most hospitals.

California community clinics and physicians organizations have reported significant financial stress related to the decline in revenue related to cancellation or delay of non-COVID services. While these revenue declines are temporary, with pent-up demand for primary care services likely to rebound when the pandemic period has ended, there is substantial risk that providers may close permanently, placing the ability for Californians to access primary care services at risk.

**Budget and Fiscal Review Subcommittee No. 4 - Background Issues****Issue 1 – Unemployment Insurance Benefits**

Through the Employment Development Department (EDD), most employees are eligible to receive weekly Unemployment Insurance (UI) benefits when they become unemployed through no fault of their own. The amount of UI benefits a worker receives depends on how much they earned before their unemployment. The weekly benefit amount (WBA) ranges from \$40 to \$450. Benefits are available for up to 26 weeks. To fund the benefits, employers pay a payroll tax on the first \$7,000 of employee wages.

House Resolution (H.R.) 748 - the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) increased the WBA by an additional \$600 per week for all UI recipients regardless of a worker's past earnings. These benefits are available until July 31, 2020. Starting on April 12th, the EDD began paying an additional \$600 on top of the current WBA. The CARES Act also provides federal funding for a 13-week extension of UI benefits, from 26 weeks to 39 weeks. The CARES Act also expands eligibility for UI benefits to some self-employed workers who are unable to work due to COVID-19.

Despite the expanded benefits under the CARES Act, many workers are still not eligible for UI benefits. In particular, the Legislative Analyst's Office (LAO) notes that a recent college graduate who is on the job market but has no earnings history, a newly self-employed worker who has not yet filed a self-employment tax return, and undocumented immigrant workers are not eligible to receive UI benefits.

The LAO recently developed two options for the Legislature to provide benefits to workers that are currently ineligible to receive UI benefits. The first option is for the state to create a state funded program for ineligible workers, and the second option is to expand the eligibility requirements for the state's disability insurance.

**Issue 2 – Unemployment Insurance Administration**

In the last four weeks, the state has processed about 2.3 million UI claims. Just for the week ending on Saturday, April 4, 2020, EDD processed 925,450 claims, which is a 2,418% increase over the same week last year. Under normal economic conditions, EDD typically issues a worker their first week of benefits within 21 days of receiving a worker's application about 80 percent of the time. However, given the high volume of claims, workers will likely see a delay in their benefit payments.

While workers can file a UI claim online, some workers may face an occupational (those with more complex claims) or technological barrier to accessing the online system. To speak with an EDD representative, workers must call from Monday through Friday, between 8 a.m. to 12 noon. However, due to the high volume of calls, many people are not able to connect to a representative, and their calls are dropped.

H.R. 6201, the Families First Coronavirus Response Act, provides \$120 million in additional UI administration funds to the state. Half of this funding (\$60 million) would be made available within 60 days to states that follow certain best practices in administering UI benefits. The remaining funds would be made available to states with at least a 10 percent increase in UI claims compared to the same quarter of the previous year. The state would also need to implement the following reforms: (1) temporarily waiving work search requirement, (2) temporarily waiving the seven-day waiting time, and (3) changing its calculation for the employer experience rating to exclude from the calculation UI claims related to COVID-19. The Governor has already waived the seven-day waiting time requirement.

On March 20<sup>th</sup> the Labor Secretary issued a memorandum for EDD to expedite UI payments. The Labor Secretary directed EDD to immediately pay incoming claims for UI benefits prior to making a final eligibility determination. Additionally, the Labor Secretary directed EDD to redirect staff from other EDD branches to support claims processing, increase overtime, and implement automated processes where possible to speed up the additional manual procedures needed to process claims.

### **Issue 3 – Additional Homelessness Issues**

- **30 Day Occupancy Limit**

- Under current law, individuals who stay in a hotel / motel room beyond 30 days become tenants of the hotel / motel, rather than occupants of a hired room. This grants them tenancy rights and protections which are much more stringent than those for a hotel / motel occupant.
- Because of this, hotels and motels do not allow individuals to stay in a single unit longer than 30 days and instead either put them out for a day or reshuffle them between units to prevent the 30-day clock from running out.
- The Administration’s “Project Roomkey” has made housing at-risk homeless individuals in hotels and motels a priority. However, the current COVID-19 pandemic will likely last longer than 30 days. The goal of Project Roomkey is to provide non-congregant shelter to at-risk individuals. As such, forcing individuals housed in this program to shuffle rooms or temporarily leave housing would be counterproductive.
- Locals have requested action to either waive the 30 day occupancy limit for Project Roomkey or clarify its impact during COVID-19 - for example by allowing pre-COVID tenancies to occur but pausing the creation of new tenancies during the pandemic.

- **Transient Occupancy Taxes (TOTs)**

- Transient Occupancy Taxes are taxes levied on occupied hotel rooms. They are an important local revenue source in many localities.
- As the economic impact of COVID-19 continues to expand, the dramatic decline in hotel occupancy has led to a dramatic decline in TOT collections.

- Additionally, there is uncertainty over whether individuals housed (or the organizations housing them) as part of Project Roomkey will be required to pay TOT.
- **Project Roomkey**
  - The Administration has made the protection of homeless individuals via the provision of non-congregant shelter via hotels a key part of its COVID-19 response.
  - This could result in thousands of homeless individuals receiving emergency housing during the pandemic.
  - This raises the question of how the administration, and local governments, plan on dealing with these individuals once the crisis is past and non-congregant shelter is no longer required.
- **Evictions**
  - The Administration issued an executive order on March 27 banning the enforcement of eviction orders for renters affected by COVID-19 through May 31, 2020. The order prohibits landlords from evicting tenants for nonpayment of rent and prohibits enforcement of evictions by law enforcement or courts. It also requires tenants to declare in writing, no more than seven days after the rent comes due, that the tenant cannot pay all or part of their rent due to COVID-19.

#### **Issue 4 – Relief for Immigrant Residents**

Immigrants are vital to California's workforce. According to information from the California Budget and Policy Center, more than 6 million immigrants are employed in California, representing 1 in 3 workers. In addition, US-born individuals with immigrant parents make up nearly 1 in 5 California workers. Combined, immigrants and children of immigrants make up half of California's workers. It is estimated that undocumented immigrants alone contribute over \$3 billion annually to California's state and local tax system, including by paying personal income taxes using Individual Taxpayer Identification Numbers (ITINs).

The Budget and Policy Center further notes that, among working families, children of immigrants are more than twice as likely to live in poverty as other children in working families. This reflects the fact that many immigrants are engaged in low-paid and often unstable work, and are far more likely to be victims of exploitation, such as wage theft.

According to recent media reports, the COVID-19 crisis has exposed massive fault lines in U.S. health, economic and labor sectors. With no end in sight, undocumented immigrants are left most vulnerable because of systemic exclusion from health care and social safety nets.

Current federal law bars undocumented immigrants from basic social programs that could otherwise provide support, such as Medicaid, food stamps and cash assistance. Undocumented immigrant seniors don't qualify for social security benefits and have limited options to save for retirement.

Further, undocumented immigrants are not eligible for the federal stimulus relief programs, leaving this already vulnerable population with little to no assistance during this time of crisis.

Advocates have called for the state to provide assistance to this vulnerable population in California. One options include some form of direct assistance or adding immigrant workers that file income taxes with ITINs eligible for the state's Earned Income Tax Credit (EITC) and Young Child Tax Credit (YCTC) programs.

**Budget and Fiscal Review Subcommittee No. 5 - Background Issues****Issue 1 – Relief for Re-entry Services for Adults and Youth**

Relief for Re-entry Services for Adults and Youth Exiting Custody is needed and services should be deemed essential. As more are released back into their communities, state relief is needed to ensure those returning home or to foster care placements have the resources and services they need. Advocates have requested resources for re-entry service providers who provide mental health, substance abuse, and housing services so that they can safely remain open in order to provide essential services. These services need to be deemed essential and additional funding is needed.

**Issue 2 – County Law Library Support**

County Law Libraries have no relief support. The law libraries face the potential for small or no revenue since a portion of civil filing fees are the sole means of support. The libraries continue to offer reference services and access to resources, including issues to providing referrals for basic needs such as housing, utilities concerns, and access to food. And county law libraries are likely to experience increase demand in services from economic fall out of COVID-19 crisis, such as assistance in bankruptcy filing and more. The Legislature provided the one-time gap funding in the 2018 Budget Act at \$16 million.

**Issue 3 – Criminal Justice-Related Debts, Fines, and Fees**

As unemployment rates rise and the economy heads downwards, people will be increasingly unable to pay criminal justice-related fines and fees let alone food, healthcare and other basic necessities. Advocates are calling for court-ordered and criminal justice-related fines, fees, tickets, electronic monitoring, and arrears should be forgiven and/or suspended, without interest. Additionally, they're calling for all private collection agencies contracted by the judicial court system and state entities, such as the Franchise Tax Board, to not move forward with calls for collection and the garnishment of wages, as a result of owed criminal fines and fees.