

# AGENDA

## Assembly Budget Subcommittee No. 6 on Budget Process, Oversight and Program Evaluation

Assemblymember Phil Ting, Chair

THURSDAY, MARCH 18, 2021

UPON ADJOURNMENT OF SESSION - STATE CAPITOL, ROOM 4202

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*Due to the ongoing COVID-19 safety considerations, including guidance on physical distancing, seating for this hearing will be very limited for the press and for the public. All are encouraged to watch the hearing from its live stream on the Assembly's website at <https://assembly.ca.gov/todayevents>.*

*We encourage the public to provide written testimony before the hearing. Please send your written testimony to: [BudgetSub6@asm.ca.gov](mailto:BudgetSub6@asm.ca.gov). Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.*

*A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number: **877-692-8957, Access Code: 131 54 202.***

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### Informational Hearing

Issue 1: Vaccine Distribution, Status, Funding, Governance, and Equity

- Yolanda Richardson, Governmental Operations Agency
- Susan Fanelli, Department of Public Health
- Sonja Petek, Legislative Analyst's Office

Issue 2: COVID-19 Expenditures: Budget Proposal and Expenditures to Date

- Steven Benson, Department of Finance
- Drew Soderborg, Legislative Analyst's Office

Issue 3: Update on Anticipated Federal Funds from the 2021 American Rescue Plan

- Ann Hollingshead, Legislative Analyst's Office
- Kristin Shelton, Department of Finance

## BACKGROUND

### OVERVIEW

Staff has requested various panelists to provide additional information for this hearing. Staff expects the following additional documents to be available as attachments to this agenda before the hearing:

- 1) An updated vaccination situational summary from the Administration;
- 2) A detail of COVID-19 Expenditures to date, provided by the Department of Finance; and
- 3) A handout detailing the projected allocations to California for federal the American Rescue Plan, prepared by the Legislative Analyst.

### COVID-19 2021 EXPENDITURE BCP

Current state law gives the Governor broad powers to declare emergencies and to allocate state and federal funds to support activities related to declared emergencies. These authorities are designed to give the administration flexibility to rapidly react to emergencies. The Governor has made extensive use of these authorities to support the state's response to the coronavirus disease 2019 (COVID-19) pandemic. In addition, the Governor's 2021-22 budget includes various proposals to modify, extend, and expand these emergency spending authorities to facilitate the planned expenditure of at least \$1.8 billion from the General Fund on COVID-19-related activities.

The Governor's budget proposes a total of \$1.4 billion from the General Fund to support COVID-19-related activities in 2021-22 in nine specific departments, as shown in Figure 1. (The administration expects that a significant portion of these costs will be reimbursed by federal funds in the future.) According to the administration, including these funds in the proposed budget is intended to honor the intent of CDAA that emergency-related activities be funded through the budget process.

Figure 1

## Governor's Budget Provides \$1.4 Billion General Fund for COVID-19-Related Activities

2021-22 (In Millions)

Department	Description	Amount
Public Health	Statewide testing, primarily at the Valencia Branch Lab, including specimen collection.	\$820.5
Corrections and Rehabilitation	Testing, treatment, surge capacity, and vaccination of staff and incarcerated persons.	281.3
Governor's Office of Emergency Services	California Disaster Assistance Act grant funds to reimburse local governments for certain coronavirus disease 2019 (COVID-19) response costs.	119.8
General Services	Hotels for health care workers, housing for vulnerable people released from prison and agricultural workers, and specimen transportation.	84.4
State Hospitals	Increased operating costs primarily related to increased sanitation, purchase of personal protective equipment, and testing staff and patients.	52.0
Developmental Services	Surge sites for individuals served by the Department of Developmental Services who have been exposed to or are at high risk of COVID-19.	36.7
Board of State and Community Corrections	Probation department supervision of people released from prison to county supervision.	12.1
Veterans Affairs	Increased operating costs primarily related to increased sanitation, purchase of personal protective equipment, and testing staff and residents.	5.3
Social Services	Rapid Response program to support services to immigrants.	5.0
<b>Total</b>		<b>\$1,417.1</b>

### COVID-19 2021 BUDGET CONTROL AUTHORITY

The Governor's budget includes a new Control Section 11.92 that allows the administration to extend the use of DREOA through June 30, 2022 (the end of the budget year). The administration estimates that it will use this authority to allocate \$406 million for COVID-19-related activities. This funding would support (1) contact tracing (\$143.8 million), (2) emergency operation costs (\$177.5 million), and (3) hospital and medical surge preparation (\$84.5 million). According to the administration, these funds are not allocated to specific departments in the proposed budget as it is currently unclear which departments will be engaged in these activities. Instead, funding would be allocated through DREOA as departments' roles become clear. By extending the use of DREOA, the administration would have maximum authority to allocate more than \$406 million for COVID-19-related activities from DREOA. (The administration expects that a significant portion of these costs will be reimbursed by federal funds in the future.)

Figure 2

**Governor's Proposed Control Sections for COVID-19 Spending Flexibility**

Control Section	Description
11.92	Extends ability of administration to use DREOA for COVID-19-related activities through 2021-22, providing flexibility to spend more funding than the level identified in the budget.
11.91—First Component	Allows DOF to transfer funds budgeted for COVID-19-related activities between departments with COVID-19 budget items.
11.91—Second Component	Allows DOF to create new budget items and augment department budgets to allow them to spend federal and private funds for COVID-19-related activities.
COVID-19 = coronavirus disease 2019; DREOA = Disaster-Response Emergency Operations Account; and DOF=Department of Finance.	

**LAO COMMENTS AND RECOMMENDATIONS**

**Governor's Proposals Raise Various Concerns.** Under the Governor's proposal to extend the use of DREOA for COVID-19 response, there would be no reasonable checks and balances on the Governor's COVID-19 spending authority. Specifically, the administration would have access to nearly unlimited funding in the budget year while having minimal requirements to notify the Legislature when funds are accessed and no requirement to report on how funds are actually spent on the state's COVID-19 response. Our concerns with the proposed extension are reflective of the larger problems associated with the state's existing emergency spending authorities that allow the Governor to spend an essentially unlimited amount of funds on emergency-related activities with very little opportunity for legislative oversight.

**Recommendations.** Given the scale and nature of the COVID-19 emergency, it is reasonable to give the Governor some flexibility in spending funds for related activities. However, additional checks and balances on this flexibility are necessary for COVID-19 spending, as well as all future state emergencies. Accordingly, we propose a series of recommendations to help achieve this outcome. First, we recommend the Legislature adopt legislation to make fundamental changes to the Governor's overall emergency spending authorities. Second, we recommend the Legislature consider a new budget control section process specific for COVID-19-related augmentations in 2021-22. Third, we recommend modifying the Governor's proposed authority to transfer funds budgeted for COVID-19-related activities to require legislative notification. Fourth, we recommend rejecting the Governor's proposed flexibility to spend federal and private funds.