



MEMORANDUM

March 16, 2021

COVID-19 Direct Response—March 2021 Fiscal Update

Overall COVID-19 Direct Response Expenditures—Over a year since the COVID-19 emergency was declared in California, the state continues to adapt its response to the evolving nature of the pandemic. As the winter surge has receded, California, in partnership with the federal government, has focused on statewide vaccinations. These efforts support the transparent and consistent delivery of doses in an efficient and equitable manner. This necessitates statewide coordination so that Californians can be vaccinated as quickly and safely as possible.

This fiscal update outlines expenditure assumptions and cost estimates as of March 2021 as compared to the 2021-22 Governor's Budget estimate in January. Estimates for 2019-20 (past year), 2020-21 (current year), and 2021-22 (budget year) are included, as are a list of more detailed costs related to vaccine distribution efforts.

Finance currently estimates combined total costs across fiscal years 2019-20, 2020-21, and 2021-22 of approximately \$15.1 billion, with an estimated net General Fund impact of approximately \$1.9 billion. By comparison, the 2021-22 Governor's Budget reflected nearly \$13 billion in total costs with an estimated \$2.5 billion net General Fund impact. The most notable changes since the release of the Governor's Budget are increased cost estimates associated with state vaccine distribution and administration activities. Finance will provide its next COVID-19 fiscal update with the release of the Governor's May Revision.

The following chart summarizes Finance's March 2021 cost estimate by potential fund source. These cost and fund source estimates reflect a point-in-time assessment, and will continue to be refined as the Administration seeks to maximize the use of federal funds. As the Federal Emergency Management Agency (FEMA) issues updated guidelines, the Administration continues to evaluate the impact of the higher FEMA cost-share of eligible costs, as announced in early February, on the state General Fund. In addition, the Administration will continue evaluating the resources available through the American Rescue Plan Act signed into law by the President on March 11, 2021.

Fund Source	2021 Governor's Budget Estimate	March 2021 Fiscal Update
General Fund	\$2,531,245,000	\$1,897,026,000
FEMA Public Assistance Program	\$6,226,439,000	\$7,086,406,000
Coronavirus Relief Fund (CRF)	\$2,461,137,000	\$2,315,901,000
Other Federal Funds	\$683,974,000	\$2,082,575,000
Private Funds	\$1,077,016,000	\$1,670,052,000
Totals	\$12,979,811,000	\$15,051,960,000

The charts at the end of this update display (1) a comparison of expenditure assumptions as of the 2021-22 Governor's Budget and as of March 2021 across fiscal years 2019-20 through 2021-22 combined, and (2) the March 2021 estimate by fiscal year for 2019-20, 2020-21, and 2021-22. Final 2019-20 state response operation costs continue to be reconciled as year-end financial reporting continues.

Compared to the 2021-22 Governor's Budget estimates, the total costs are projected to increase by approximately \$2.1 billion. This increase is attributable primarily to the following significant cost factors:

- Vaccine Distribution and Administration—Continued expansion of the infrastructure of the state vaccine distribution and administration effort (an additional \$1 billion). Specific activities include: (1) supporting state and local vaccine sites and management of the statewide provider network; (2) administering the statewide provider network; and (3) conducting a media and outreach campaign to encourage all Californians to be vaccinated. Additional detail is included in the Vaccine Distribution and Administration section below, including a summary chart of activities and estimated costs, which are subject to future refinement.
- The addition of federal funding for local health jurisdictions for testing, contact tracing, and vaccination (\$1.2 billion).

Vaccine Distribution and Administration—The following chart summarizes current estimated costs for the statewide vaccine effort. With the selection of Blue Shield as the state's third party administrator, the state is accelerating the administration of the vaccines. In addition, the state has initiated several efforts to support disproportionately-impacted communities and vulnerable populations. Of the \$585.2 million of estimated costs for vaccination staff support, approximately half is anticipated to support local vaccine sites. In addition, on February 1, 2021, local health jurisdictions received \$1.2 billion in federal funds to support local vaccination efforts, as well as testing and contact tracing. It is expected that FEMA will be providing nearly 100 percent reimbursement for eligible costs. With the recently signed federal American Rescue Plan Act, the state should have sufficient funds to cover the balance, thereby avoiding additional General Fund costs.

Vaccine Activity Details	March 2021 Fiscal Update
Supporting Vaccine Mega Sites and Management of the Statewide Provider Network	\$1,183,827,000
Vaccination Staff Support (State and Local Sites)	\$585,246,000
Logistics Support (mega sites and other state contracted sites)	\$88,185,000
Vaccine Site Wraparound Services (mega sites and other state contracted sites)	\$44,000,000
Optum Contract - Vaccination Sites, includes mobile sites	\$271,396,000
Color Contract - Vaccination Sites, includes mobile sites	\$40,000,000
Transportation Services - Assist Residents Who Cannot Travel (non-Medi-Cal)	\$20,000,000
Provide Vaccines at Home - Assist Homebound Residents	\$45,000,000
"Get Out the Vax" Effort in Disproportionately-Impacted Communities	\$30,000,000
Support for Critical Providers Serving Disproportionately-Impacted Communities	\$60,000,000
Administering the Statewide Provider Network	\$151,066,000
Information Technology Support (includes My Turn)	\$85,000,000
Blue Shield of California - Third Party Administrator (TPA)	\$15,000,000
McKinsey Contract - Support for the TPA	\$13,000,000
Departmental Operational Costs	\$36,716,000
PCG Contract - Project Management Assistance	\$1,250,000
Chapman Contract - Non-county Stakeholder Engagement	\$75,000
Kemper Contract - County Stakeholder Engagement	\$25,000
Media Campaign	\$40,000,000
Totals	\$1,374,893,000

Coronavirus Relief Fund Summary—California ended 2020 having spent or obligated 97 percent of the \$9.5 billion in CRF provided in the federal CARES Act. Detailed information on these expenditures and obligations is posted on Finance's COVID-19 [webpage](#). Of the funds received by the state, the majority supported the local response to COVID-19 including nearly \$1.3 billion to counties, \$500 million to cities, \$750 million to enable the state's high-risk homeless population to comply with public health guidance through Homekey, and \$4.5 billion to school districts and community colleges to support distance learning and mitigate learning loss. This update provides information for the \$2.5 billion used at the state level.

The 2021-22 Governor's Budget assumed that a significant share of the funding at the state level would be used to help address the state's cost-share of FEMA Public Assistance Program eligible costs. Changes announced by FEMA in late January 2021 will require additional review of various response costs as FEMA continues to provide more clarity on the requirements necessary to obtain full federal funding for eligible COVID-19 costs. For the federal CRF report due in early April, the state will update expenditures through December 30, 2020 consistent with current state law. After this report is completed, Finance will evaluate where adjustments may be needed to maximize federal funding and to further reduce the level of General Fund needed to respond to COVID-19. Any adjustments to this approach will be reflected in the May Revision. The state will also evaluate if state law should be extended to conform to the new federal deadline to spend CRF through December 31, 2021.

The chart below shows the estimated share of CRF for many of the state's direct disaster response costs. This estimate does not reflect new cost-share assumptions related to the FEMA Public Assistance Program.

Cost Category	March 2021 Estimate	Estimated CRF Share ^{1/}
State Response Operations	\$2,641,592,000	\$401,452,000
Procurements	\$3,281,062,000	\$637,132,000
Hospital and Medical Surge	\$1,566,852,000	\$326,894,000
Hotels for Health Care Workers and Support Staff	\$349,981,000	\$32,544,000
Vulnerable Populations and Other Support Services	\$1,595,395,000	\$605,779,000
Statewide Testing	\$2,612,142,000	\$191,593,000
Contact Tracing and Tracking	\$250,903,000	\$135,438,000
Totals	\$12,297,927,000	\$2,330,832,000

^{1/} Includes approximately \$15 million state COVID-19 costs not reflected in the estimated direct response costs.

**COVID-19 Direct Response Cost Estimate:
Total Expenditures Comparison**

Cost Category	2021 Governor's Budget Estimate	March 2021 Fiscal Update	Difference
State Response Operations	\$2,529,273,000	\$2,641,592,000	\$112,319,000
State Hospitals	\$82,698,000	\$148,996,000	\$66,298,000
Testing	\$37,102,000	\$28,543,000	-\$8,559,000
Surge Capacity (Norwalk)	\$2,568,000	\$2,568,000	\$0
Other Staffing and Operational Costs	\$43,028,000	\$117,885,000	\$74,857,000
National Guard	\$32,848,000	\$32,848,000	\$0
Corrections and Rehabilitations	\$1,418,988,000	\$1,535,908,000	\$116,920,000
Community Supervision	\$45,340,000	\$45,340,000	\$0
Temporary Suspension of Prison Intake	\$240,895,000	\$240,895,000	\$0
Reentry Housing	\$15,000,000	\$15,000,000	\$0
Project Hope	\$1,929,000	\$3,000,000	\$1,071,000
Personal Protective Equipment	\$89,296,000	\$49,281,000	-\$40,015,000
Medical Surge/Tents	\$240,741,000	\$111,012,000	-\$129,729,000
Testing (Employee)	\$378,926,000	\$277,570,000	-\$101,356,000
Testing (Inmate)	\$175,533,000	\$404,181,000	\$228,648,000
Cleaning	\$29,180,000	\$146,176,000	\$116,996,000
Other Staffing and Operational Costs	\$202,148,000	\$243,453,000	\$41,305,000
Other State Agency Response Operations Costs	\$994,739,000	\$923,840,000	-\$70,899,000
Procurements	\$3,366,496,000	\$3,281,062,000	-\$85,434,000
OES Masks Contract (Global Healthcare Product Solutions, LLC)	\$920,600,000	\$920,600,000	\$0
DGS and Other Procurements	\$2,445,896,000	\$2,360,462,000	-\$85,434,000
Hospital and Medical Surge (to support 5,000 beds)	\$1,091,631,000	\$1,566,852,000	\$475,221,000
Staffing Costs	\$768,421,000	\$1,189,023,000	\$420,602,000
Facilities and Operating Costs	\$323,210,000	\$377,829,000	\$54,619,000
Hotels for Health Care Workers/Support Staff	\$368,957,000	\$349,981,000	-\$18,976,000
Housing for the Harvest	\$9,623,000	\$27,947,000	\$18,324,000
Vulnerable Populations and Other Support Services	\$1,888,547,000	\$1,595,395,000	-\$293,152,000
Project Roomkey	\$162,000,000	\$162,000,000	\$0
Food Banks	\$165,500,000	\$200,500,000	\$35,000,000
Immigrant Services	\$76,305,000	\$104,305,000	\$28,000,000
Support for Small Businesses	\$562,500,000	\$562,500,000	\$0
Great Plates Delivered	\$25,000,000	\$25,000,000	\$0
Other Program Allocations	\$897,242,000	\$541,090,000	-\$356,152,000
Statewide Testing	\$2,544,045,000	\$2,612,142,000	\$68,097,000
PerkinElmer	\$1,365,363,000	\$1,386,414,000	\$21,051,000
Logistics Health, Inc. (Optum)	\$726,000,000	\$787,000,000	\$61,000,000
FedEx Specimen Transportation	\$19,989,000	\$19,989,000	\$0
Other Statewide Testing	\$432,693,000	\$418,739,000	-\$13,954,000
Contact Tracing and Tracking	\$646,339,000	\$250,903,000	-\$395,436,000
Vaccine Distribution and Administration	\$372,400,000	\$1,374,893,000	\$1,002,493,000
Supporting Vaccine Sites and Management of the Statewide Provider Network		\$1,183,827,000	\$1,183,827,000
Administering the Statewide Provider Network		\$151,066,000	\$151,066,000
Media Campaign		\$40,000,000	\$40,000,000
Local Health Jurisdiction Funding for Testing, Contact Tracing, and Vaccination		\$1,187,498,000	\$1,187,498,000
Community Engagement	\$162,500,000	\$163,695,000	\$1,195,000
Totals	\$12,979,811,000	\$15,051,960,000	\$2,072,149,000

**COVID-19 Direct Response Cost Estimate:
Total Expenditures by Fiscal Year**

Cost Category	March 2021 Estimate			
	2019-20	2020-21	2021-22	Total
State Response Operations	\$260,491,000	\$1,655,618,000	\$725,483,000	\$2,641,592,000
State Hospitals	\$7,167,000	\$103,796,000	\$38,033,000	\$148,996,000
Testing	\$1,458,000	\$21,584,000	\$5,501,000	\$28,543,000
Surge Capacity (Norwalk)		\$2,568,000		\$2,568,000
Other Staffing and Operational Costs	\$5,709,000	\$79,644,000	\$32,532,000	\$117,885,000
National Guard	\$5,788,000	\$27,060,000		\$32,848,000
Corrections and Rehabilitations	\$137,920,000	\$1,029,188,000	\$368,800,000	\$1,535,908,000
Community Supervision	\$2,971,000	\$30,263,000	\$12,106,000	\$45,340,000
Temporary Suspension of Prison Intake	\$31,215,000	\$209,680,000		\$240,895,000
Reentry Housing		\$15,000,000		\$15,000,000
Project Hope		\$2,265,000	\$735,000	\$3,000,000
Personal Protective Equipment	\$22,482,000	\$18,125,000	\$8,674,000	\$49,281,000
Medical Surge/Tents		\$81,766,000	\$29,246,000	\$111,012,000
Testing (Employee)	\$2,518,000	\$180,384,000	\$94,668,000	\$277,570,000
Testing (Inmate)	\$6,021,000	\$232,582,000	\$165,578,000	\$404,181,000
Cleaning	\$31,704,000	\$103,402,000	\$11,070,000	\$146,176,000
Other Staffing and Operational Costs	\$41,009,000	\$155,721,000	\$46,723,000	\$243,453,000
Other State Agency Response Operations Costs	\$109,616,000	\$495,574,000	\$318,650,000	\$923,840,000
Procurements	\$1,959,282,000	\$1,304,653,000	\$17,127,000	\$3,281,062,000
OES Masks Contract (Global Healthcare Product Solutions, LLC)	\$411,693,000	\$508,907,000		\$920,600,000
DGS and Other Procurements	\$1,547,589,000	\$795,746,000	\$17,127,000	\$2,360,462,000
Hospital and Medical Surge (to support 5,000 beds)	\$108,995,000	\$1,368,352,000	\$89,505,000	\$1,566,852,000
Staffing Costs	\$38,095,000	\$1,098,653,000	\$52,275,000	\$1,189,023,000
Facilities and Operating Costs	\$70,900,000	\$269,699,000	\$37,230,000	\$377,829,000
Hotels for Health Care Workers/Support Staff	\$45,404,000	\$231,959,000	\$72,618,000	\$349,981,000
Housing for the Harvest		\$24,278,000	\$3,669,000	\$27,947,000
Vulnerable Populations and Other Support Services	\$463,089,000	\$1,127,306,000	\$5,000,000	\$1,595,395,000
Project Roomkey	\$100,000,000	\$62,000,000		\$162,000,000
Food Banks	\$25,000,000	\$175,500,000		\$200,500,000
Immigrant Services	\$76,305,000	\$28,000,000		\$104,305,000
Support for Small Businesses		\$562,500,000		\$562,500,000
Great Plates Delivered	\$3,816,000	\$21,184,000		\$25,000,000
Other Program Allocations	\$257,968,000	\$278,122,000	\$5,000,000	\$541,090,000
Statewide Testing	\$70,026,000	\$1,757,531,000	\$784,585,000	\$2,612,142,000
PerkinElmer		\$941,554,000	\$444,860,000	\$1,386,414,000
Logistics Health, Inc. (Optum)	\$53,211,000	\$584,789,000	\$149,000,000	\$787,000,000
FedEx Specimen Transportation		\$13,336,000	\$6,653,000	\$19,989,000
Other Statewide Testing	\$16,815,000	\$217,852,000	\$184,072,000	\$418,739,000
Contact Tracing and Tracking	\$22,675,000	\$174,777,000	\$53,451,000	\$250,903,000
Vaccine Distribution and Administration	\$0	\$1,155,145,000	\$219,748,000	\$1,374,893,000
Supporting Vaccine Sites and Management of the Statewide Provider Network		\$1,002,782,000	\$181,045,000	\$1,183,827,000
Administering the Statewide Provider Network		\$112,363,000	\$38,703,000	\$151,066,000
Media Campaign		\$40,000,000		\$40,000,000
Local Health Jurisdiction Funding for Testing, Contact Tracing, and Vaccination		\$1,187,498,000	\$0	\$1,187,498,000
Community Engagement	\$28,000	\$163,514,000	\$153,000	\$163,695,000
Totals	\$2,929,990,000	\$10,150,631,000	\$1,971,339,000	\$15,051,960,000