

FEBRUARY 5, 2021

The 2021-22 Budget: California Department of Public Health's COVID-19 Response



LEGISLATIVE ANALYST'S OFFICE

Scope of This Handout

Since the Governor's March 4, 2020 proclamation declaring a state of emergency due to coronavirus disease 2019 (COVID-19), direct and indirect spending to respond to the public health crisis has occurred across state departments. The California Department of Public Health (CDPH) has played a key leadership role in the state's overall response, including providing expertise and resources to the Governor, other state agencies, and local governments; issuing public orders and guidance to various industries and the public; developing statewide systems for data collection and reporting; increasing testing capacity; and managing vaccine distribution. This handout focuses on CDPH's budget for COVID-19 response, including:

- Direct COVID-19 spending within the CDPH budget.
- Funding that flows through the CDPH budget to California's 61 local health jurisdictions (LHJs) for COVID-19 response.

In addition, this handout also:

- Provides a framework for evaluating midyear and budget-year proposals and actions related to COVID-19 within CDPH's budget.
- Offers key public health issues for legislative consideration during the COVID-19 recovery.



2020-21 Budget

Enacted Budget for CDPH Does Not Tell the Whole Story for 2020-21

- Included few specific COVID-19 related augmentations.
- Included \$5.9 million General Fund for the state's public health lab in Richmond.

Major Adjustments Through November 2020

- Key COVID-19 funding augmentations from budget enactment through November.
 - \$499.2 million from the federal Centers for Disease Control and Prevention (CDC) as part of a federal relief package enacted in April 2020; \$286 million of the total allocated to LHJs (except to Los Angeles County, which received its own CDC allocation of \$289 million).
 - General Fund transfers of \$540.3 million from the Disaster Response Emergency Operations Account (DREOA), which provides access to state funds from a reserve account—the Special Fund for Economic Uncertainties (SFEU).
- Key CDPH initiatives from budget enactment through November.
 - Opened the Valencia Branch Lab in partnership with PerkinElmer for COVID-19 molecular diagnostic (PCR) test processing.



2020-21 Budget

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- Contracted with OptumServe for test collection via fixed and drive-through test sites, mobile units, and traveling teams to support Valencia Branch Lab.
 - Funded increased testing capacity at other labs—the CDPH lab in Richmond, local public health labs, and mobile units—including PCR, serology, and rapid testing, and genomic sequencing.
 - Funded improvements to CDPH and LHJ information technology (IT) systems to make public health lab test ordering and reporting more efficient.
 - Supported CalConnect mobile contract tracing project and increased support for LHJ contact tracing efforts.
 - Began vaccination efforts, including submission of plan to CDC.

Governor’s Budget Proposed Approach for the Current Year

- Governor’s 2021-22 budget proposal did not include a specific plan or strategy within CDPH for COVID-19-related spending through the end of 2020-21, except to reflect budget adjustments already made from July through November 2020 and to anticipate continued efforts.
- Governor’s budget includes a current-year cost estimate for vaccination efforts (\$372.4 million), some of which likely will be allocated through CDPH.
- January budget did not reflect funding from the fifth round of federal relief assistance (December 2020) via the CDC (\$2.1 billion) for testing, contact tracing, and vaccination. The administration notified the Legislature on February 1, however, that it intends to allocate \$1.2 billion of these funds to LHJs for testing, contact tracing, and vaccination. How the administration plans to allocate the remaining funds, including \$357 million for vaccination, has not been announced.



2020-21 Budget

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Other Issues for the Current Year

- How to fund and manage vaccination efforts at the state and local levels.
 - The administration recently announced partnering with Blue Shield to manage a statewide vaccination network, working with individual providers and LHJs. The administration also is rolling out My Turn, an IT system that will manage providers' enrollment and orders for vaccines as well as individuals' registration and appointment scheduling.
- How to fund and manage any expanded testing efforts, such as testing for K-12 teachers and students, and how to expand the types of tests available.
- How to spend potential future federal funds (if Congress and the President approve another COVID-19 spending package this winter or spring).

How Budget Adjustments in the Current Year Can Be Made

- Administration is likely to continue using a variety of available authorities to spend state and federal monies to pay for CDPH's COVID-19 costs and help support the COVID-19-related activities of LHJs in 2020-21:
 - Control Section 28: Gives the administration the ability to spend unanticipated federal funds received after enactment of the budget; requires advance 30-day notice to the Legislature (which can be waived).
 - Control Section 11.95: The *2020-21 Budget Act* included a new control section similar to Control Section 28, but specific to funds from federal COVID-19 legislation enacted in March and April 2020 for testing and contact tracing; requires advance ten-day notice to the Legislature (which can be waived). The administration proposes revising Control Section 11.95 to allow for spending of the recent CDC funds.



2020-21 Budget

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- DREOA transfers: Funds in this account are continuously appropriated for disaster response and recovery operations after a declared state of emergency. The administration must notify the Legislature when it makes a transfer from the SFEU into DREOA. DREOA authority lasts for 120 days, but can be extended in 120-day increments for the duration of the fiscal year in which the first extension occurred. The most recent extension occurred October 28, 2020.
- Administration likely will continue to take advantage of statute allowing for a no-bid process for public contracts allowed during states of emergency. For example, there was no formal bidding process for the contract with PerkinElmer to open the Valencia Branch Lab.



Governor's 2021-22 Budget Proposal

Budget-Year Proposal for CDPH Does Not Yet Reflect Full Fiscal Details of COVID-19 Response

- The administration indicates some further details of its COVID-19 response actions are forthcoming. The administration cites the need to maintain flexibility in its plans to respond to the continually evolving pandemic.
- Despite the full details of the administration's plans being unclear, the Governor's overall budget includes some specific proposed augmentations across a number of departments, including CDPH, totaling \$1.4 billion General Fund. (As noted below, the CDPH augmentations total \$820.5 million.) The biggest piece of these specific allocations would be for testing.
- The administration also proposes adding Control Section 11.91, which would allow the administration to decrease or increase any of these department allocations or to transfer the funding between departments. This control section also allows for the receipt and expenditure of federal funds for COVID-19 response.
- The Governor's budget also includes statewide costs estimated at \$400 million General Fund yet to be allocated across various departments, including CDPH.
 - Funding would be administered through the DREOA process, which the Governor proposes to extend—specifically for the pandemic—through 2021-22 with new Control Section 11.92. (This also means that funds remaining in DREOA would be available to respond to COVID-19 through 2021-22.) Without approval of this proposal, spending authority via DREOA would expire June 30, 2021.



Governor's 2021-22 Budget Proposal

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Augmentations in CDPH Budget—Totaling \$820.5 Million General Fund—Primarily Concern Testing

- \$483.2 million for the Valencia Branch Lab (PerkinElmer contract): Assumes testing will ramp down beginning in August through the end of calendar year 2021.
- \$316.7 million for continued test collection (OptumServe) to support the Valencia Branch Lab.
- \$20.7 million for miscellaneous testing and other costs.
- \$6.7 million transfer for transportation (Fed-Ex): Funds transportation of test specimens to Valencia Branch Lab (item transferred from the Department of General Services budget to CDPH's budget).
- \$677,225 in 2021-22 and ongoing to manage COVID-19 workplace outbreak reporting requirements mandated by Chapter 84 of 2020 (AB 685, Reyes).
- \$164,000 in 2021-22 and ongoing from special funds to establish regulations about developing an adequate state stockpile of personal protective equipment (PPE) for health care and other essential workers as mandated by Chapter 301 of 2020 (SB 275, Pan).



LAO Comments About 2021-22 CDPH Budget Proposal in the COVID-19 Context

- Proposed budget lacks a description of CDPH’s overarching COVID-19 response and recovery strategy for 2021-22 and how its budget will support that strategy. Aside from providing support for testing and the small proposals described above, it does not identify medium- or longer-term priorities or recovery goals.
- We anticipate more information and details of 2021-22 COVID-19-related proposed spending will be provided at the May Revision. Providing these details at the May Revision significantly limits the time available for the Legislature to assess and deliberate new proposals.
- Administration indicates a continued reliance on budget control sections, which give the administration significant discretion over how to allocate funding. Given the state is nearly a year into the pandemic, the Legislature may wish to provide more specific guidance to the administration on how to coordinate the state’s response.



Framework for Evaluating Midyear and Upcoming Proposals and Actions

Key Considerations

- Legislature will be asked to quickly assess any new proposals and notifications of midyear budget adjustments.
- Legislature has an opportunity now to set and communicate its policy and process-related goals and set up mechanisms for oversight. We recommend the Legislature express its goals and priorities ahead of the May Revision through one or more of the following processes:
 - Letters to the administration.
 - Requests for information at budget subcommittee hearings about how legislative priorities could be addressed.
 - Inclusion of provisional language in the budget act.
 - Requirements for robust, follow-up reporting in its responses to the administration’s notifications of midyear budget adjustments.
- Policy priorities could include:
 - Ensuring all communities have knowledge of and access to vaccines, especially once supply increases, and increasing public education and outreach tailored to different communities about vaccine safety and efficacy.
 - Improving statewide tracking of vaccine distribution and access.
 - Maintaining or increasing testing capacity and ongoing surveillance past 2021 given that COVID-19 could be a longer-term problem.
 - Helping schools implement testing plans and providing dedicated testing capacity for schools.
 - Implementing and expanding rapid antigen testing as a screening tool among asymptomatic populations and providing guidance to different industries about how to obtain and use antigen testing for screening purposes.



Framework for Evaluating Midyear and Upcoming Proposals and Actions

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- Modeling the need for PPE, including the kinds of PPE needed among a variety of groups. Ensuring adequate supply and streamlined distribution of PPE, particularly as variants spread and/or continue to grow in number.
- Increasing information about and access to COVID-19 treatment and therapeutics.
- Process-related goals could include:
 - Making modifications to control section language to require more information from the administration in its notifications about midyear budget adjustments. For example, control section language could require the administration to provide clear descriptions of the problem the funding will address and how the funding will address that problem, time lines, implementation plans, copies of relevant contracts, and plans for how it will track and report on its progress.

Key Criteria to Use When Considering Administration's Proposals

- **Relevance and importance.**
 - What goal does the proposal intend to support?
 - Does the administration explain how the proposal would achieve that goal?
 - How does that goal fit into the state's overall COVID-19 response and recovery?
 - What potential legislative goals are not addressed by the administration's proposal?



Framework for Evaluating Midyear and Upcoming Proposals and Actions

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■ Potential effectiveness.

- If the proposal augments an existing program, what evidence does the administration offer regarding the program’s success thus far?
- If the proposal takes new action, has this action been taken successfully anywhere else?
- Is the proposed action the most cost-effective way to achieve the intended outcome?
- What alternative approaches were considered? Who took part in developing the plan?
- How can progress be monitored in the near term to see if changes are needed? How would those changes be made?
- What is the range of possible positive and negative outcomes, and what are the key hurdles to success? Has the administration described how it might avoid possible negative outcomes and overcome the key hurdles?

■ Feasibility.

- Is there existing infrastructure to support the proposal?
- What are the staffing requirements?
- Does the proposal rely on state, local, or private-entity actions? If local or private-entity actions are required, how have those actions been accounted for in the proposal?
- What time line is proposed and does it seem reasonable?

■ Equity.

- What are the potential effects of the action on different groups?
- Will the action create new disparities, worsen existing disparities, or improve disparities?



Framework for Evaluating Midyear and Upcoming Proposals and Actions

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- **Funding and contracting.**
 - What funding sources are proposed and could the action be funded by federal funds or insurance reimbursements?
 - Is it an eligible use of federal funds or will it qualify for federal reimbursement?
 - If the proposal would be state funded, how does the proposal complement federal efforts?
 - How many companies have been considered for a public contract and is the selected vendor the best value?



Key Public Health Issues to Consider in the COVID-19 Recovery

Addressing COVID-19 Public Health Infrastructure Needs Over the Near and Potentially Longer Terms

- COVID-19 could remain a problem for some time.
- CDPH and LHJs have developed resources that could be leveraged in the near and longer terms, including:
 - State public health lab capacity, including the Valencia Branch Lab.
 - Public health workforce, including individuals trained in disease investigation and contact tracing.
 - Research partnerships and data-sharing agreements.
 - IT systems and data dashboards.
- We recommend the Legislature consider which of these newly developed resources to sustain over the next several years or on an ongoing basis for disease monitoring. We recommend asking the administration to provide proposals along these lines and include the associated costs.
- More generally, we also recommend the Legislature ask the administration of its plans for maintaining COVID-19 surveillance capacity over the next few years.

Resuming Public Health Responsibilities That Were Deferred During the Pandemic

We recommend the Legislature ask the administration for more information about the public health work that was deferred in the past year as workforce and resources were redirected to respond to COVID-19. Questions could include:

- Which responsibilities have been deferred?
- What is needed to recover in these areas?



Key Public Health Issues to Consider in the COVID-19 Recovery

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After-Action Review—Learning From the Pandemic

- The COVID-19 pandemic revealed a variety of problems, among them:
 - Under-resourced state and local public health infrastructure.
 - Outdated data collection, analysis, and reporting systems.
 - Significant disparities in rates of infection and death across race and ethnic groups. These disparities appear to be related to a variety of factors including job type, housing, underlying health conditions, and access to health care.
 - Coordination problems in public health governance structures.
 - Health care delivery inadequacies, including workforce shortages, insufficient infection control at skilled nursing facilities, and inadequate stockpiles of PPE and other medical equipment and supplies.
 - Challenges ramping up workforce and surge capacity in a short time frame.
- Two focused studies are currently under consideration:
 - Governor’s budget proposes \$1.7 million General Fund in the Health and Human Services Agency budget for an equity-focused COVID-19 retrospective analysis of the health disparities and health inequities that were exacerbated by the pandemic.
 - Assembly Bill 240 (Rodriguez) proposes an assessment of local public health infrastructure, including recommendations about staffing and resource levels.



Key Public Health Issues to Consider in the COVID-19 Recovery

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- We recommend the Legislature require a comprehensive after-action review and assessment of the state’s public health response to COVID-19. The review should broadly assess what went well and what did not go well with the state’s response. The review and assessment should serve as the basis for developing a plan to remediate the structural issues identified. The Legislature should consider:
 - Allocating funding from the state’s one-time windfall for the purpose of this comprehensive after-action review.
 - Directing the administration to contract with an academic or research organization that has experience in conducting after-action reviews.
 - Requiring the administration to begin establishing the data sharing agreements and privacy protection protocols that will be necessary for research.

