

**County of Santa Clara**

Office of the County Executive

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DATE: March 16, 2021

TO: Honorable Board of Supervisors  
Jeffery V. Smith, County Executive

FROM: Gregory G. Iturria, County Budget Director

SUBJECT: Federal COVID-19 Funding

This report is submitted under advisement from the Board of Supervisors on February 23, 2021 (Agenda Item No. 75). The Board approved Supervisor Ellenberg's referral to Administration for an off-agenda report describing how the potential new COVID-19 federal funding impacts the anticipated budget deficit for next fiscal year. This off-agenda report provides the requested information and related context in three parts. Part I includes information on Federal funding already received by the County. Part II includes information on potential and unreceived Federal funding. Part III includes information on Federal funding that is planned for and budgeted.

**Part I Funding Received**

As of March 1, 2021, the County has received approximately \$322.7 million of COVID-19 related revenue from the Federal government. Of this amount, \$271.7 million was received in FY 19-20 and \$51.0 million was received in FY 20-21. The primary sources of these funds include \$189.6 million from the CARES Coronavirus Relief Fund (CRF) and \$121.2 million from the Provider's Relief Fund in the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES-PRF). Smaller federal funding has been received for targeted activities within the departmental Public Health, Social Services Agency, and Supportive Housing budget units totaling \$11.9M.

On April 22, 2020, the County of Santa Clara Controller's Office received \$158.1 million directly from the United States Treasury as an allocation of the CRF. On October 14, 2020, the State of California passed down an additional \$31.5 million from its share of the CRF. The CRF was provided using a formula that divides the funding among State, Counties, and Cities with populations exceeding 500,000. CRF funds can only be used to reimburse costs directly attributable to the pandemic. This includes personnel (including overtime and extra help), contract services, equipment, supplies, sterilization, testing, law enforcement and security, contact tracing, technology infrastructure for continuity of County of Santa Clara operations, and possibly vaccinations. On December 21, 2020, Congress extended the deadline for counties to spend money allocated through the CRF until December 31, 2021. This extension will allow the Controller-Treasurer and consultants to review claimable expenditures and maximize the use of this funding.

Over the last year the Santa Clara Valley Medical Center Hospitals and Clinics (SCVMC) has received \$121.2 million as part of the CARES-PRF. This funding is primarily being used to offset lost patient revenue and a small portion for federally earmarked projects (i.e. Rural Health and HIV patients). Hospital patient volumes are down on a year-over-year basis as many individuals continue to defer care with metrics like patient discharges, patient days, operating room minutes and emergency department visits in January 2021 trending lower than one year ago. Hospital operating margins remain depressed compared to January 2020 but are expected to slowly rebound with continued vaccination efforts. A return to the historical baseline is not projected to be reached until FY 21-22.

<b>Revenue Categories</b>	<b>FY 19-20 YE Actual</b>	<b>FY 20-21 YTD Actual</b>
CRF	\$158.1	\$31.5
CARES PRF	\$102.7	\$18.5
Supportive Housing	\$3.6	\$0.9
FEMA	\$0.0	\$0.0
Other Miscellaneous	\$7.3	\$0.1
<b>Total Outside Revenue</b>	<b>\$271.7</b>	<b>\$51.0</b>

(in millions)

## Part II Projected Federal Funds

In addition to the \$322.7 million received, the Office of Budget and Analysis projects Santa Clara County may cumulatively receive up to an additional \$490.9 million from three major federal revenue sources; The American Rescue Plan of 2021, Center for Disease Control's Epidemiology and Laboratory Capacity (CDC-ELC) funding, and Federal Emergency Management (FEMA) reimbursement. However, all of these sources will have restrictions in use and will only be one-time funds to pay for one-time costs.

The \$1.9 trillion American Rescue Plan of 2021 was signed by the President on Thursday, March 11, 2021 and includes a \$350 billion allocation for states and local governments for costs incurred up until the end of 2024. The Government Finance Officers Association (GFOA) estimates that \$7.7 billion of this could be set aside for California counties including \$373.9 million for the County of Santa Clara. This funding will be statutorily restricted and can only be used to address the pandemic response and impacts. Funding for replacement of decreased local revenue due to the pandemic is expected to be an allowable use of the new federal funds. The allocation will be provided in two tranches, the first half 60 days after enactment and the other half one year later. Funding is intended to cover COVID-19 activities through December 31, 2024.

The funding guidelines for the American Rescue Plan of 2021 are expected to be similar to those of the \$158.1 million CRF received in 2020, but providing a little more flexibility for the County as well as allowing funding to be used for revenue losses. The allocation will also be eligible to pay for the County's costs incurred in future fiscal years, through 2024, for pandemic response, including the cost of employees serving as Disaster Service Workers, which indirectly can be a one-time partial solution for addressing next fiscal year's projected budget deficit. This funding is

expected to help the County's operating funds mitigate deficits and help fund critical health services over the next three years. Specific regulations and federal guidance regarding allowable uses is expected to be communicated incrementally in the next weeks and months.

The second major initiative is the CDC-ELC appropriation that was approved on January 6, 2021 as part of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021, P.L. 116-260. This federal appropriation will provide over \$22.1 billion in funding for states, localities, and territories to support testing and vaccination-related activities. In total, the State of California expects to receive \$1.7 billion from this allocation, of which \$1.2 billion is estimated to be distributed to 58 counties and three cities using a funding formula that takes into account local population, demographics, and poverty levels. On March 2, 2021, the County of Santa Clara received notice that its allocation will be \$62,183,150.

Lastly, the Administration projects \$54.8 million in FEMA reimbursement to the General fund in FY 20-21. As discussed previously with the Board, this projection is a work in progress involving assistance from expert consultants who are working with the County to develop reimbursement claims that will have the best chance of being approved. Administration's expectation is that this number will grow in subsequent fiscal years, however the \$54.8 million estimate represents what Administration believes can be reasonably submitted, approved and reimbursed in the current fiscal year. As the Board is aware, the FEMA process is arduous and will carry on for years.

### Part III Budgeted Federal Funds

For FY 20-21, the County has budgeted \$361.8 million of one-time federal pandemic financial assistance and reimbursements. This includes \$223.8 million of Federal funds budgeted in the CARES COVID-19 Fund (CEO Fund 0409) and \$138 million budgeted in the Health and Hospitals System. The \$223.8 million budgeted in the CARES COVID-19 Fund is comprised of \$133 million from the CRF, \$15 million of FEMA reimbursement, \$25 million budgeted at mid-year as an estimated portion of the American Rescue Plan of 2021, and \$50.8 million from the County general fund. Funding in the CARES COVID-19 Fund is intended to be used for items reimbursable under CRF funding guidelines including personnel costs, PPE, testing, contact tracing, housing support, and federally-allowable community/economic support. The \$138 million budgeted in the Health and Hospitals System is expected to primarily be covered by the American Rescue Plan of 2021 but also includes \$39.8 of estimated FEMA reimbursement. This budget is intended to cover COVID-19 related treatment and vaccination services, equipment, and supplies, and offset the decline of fee-for-service revenue as the result of the pandemic.

	<b>CEO Fund 409</b>	<b>SCVMC Enterprise Fund</b>	<b>Unbudgeted</b>
CARES CRF	\$133.0	\$0.0	\$0.0
*American Rescue Plan of 2021	\$25.0	\$98.2	\$250.7
*FEMA Reimbursement	\$15.0	\$39.8	\$0.0
*CDC-ELC for Public Health	\$0.0	\$0.0	\$62.2
Non-Federal	\$50.8	\$0.0	\$0.0
<b>Total</b>	<b>\$223.8</b>	<b>\$138.0</b>	<b>\$312.9</b>

\*Estimated and Unreceived

(in millions)

Federal assistance revenue is expected to maintain County COVID-19 mitigation and containment efforts at current levels and the health and hospital system operating in the black as patient revenue slowly recovers to pre-pandemic levels. Unbudgeted American Rescue Plan of 2021 funds are expected to help the County cover COVID-19 related expenses for the next several years or through December 31, 2024. The \$62.2 million of CDC-ELC funds are intended to be administered by the County Public Health Officer to support a multi-year vaccination effort and enhance detection. Vaccination efforts not covered by CDC-ELC funding will need to be covered by American Rescue Plan of 2021 funds.

#### Next Steps

The Administration will closely monitor the development of regulations and guidelines for use of the federal American Rescue Plan of 2021. Implementing regulations and guidelines are expected to be provided by the United States Treasury to local governments incrementally in the weeks and months ahead. The Administration will keep the Board advised as new information and federal guidance on allowable uses is communicated to the County.

The County's share of the local government relief contained in the American Rescue Plan of 2021 is expected to be allocated in two tranches to pay for pandemic costs through calendar year 2024. Once greater detail is known regarding allowable uses and timing of allocations over this multiyear horizon, the Administration will bring a recommended spending schedule to the Board that includes forecasts of costs for future vaccination operations, testing, contact tracing and outreach, and estimated revenues over a multiyear timeline.

cc: Chief Board Aides  
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