



Special Legislative Update ■ April 22, 2020

Newsom's Press Event Focuses on Expanded Surgery Services and Road to Re-Opening

During his noon press event today, Governor Newsom focused his remarks on hospital surgeries and on the indicators that would drive California's decision to gradually modify portions of the state's stay-at-home order – particularly on testing and tracing.

The Governor's biggest announcement from the noon hour is that California hospitals and health facilities can immediately resume scheduled surgeries that were delayed due to surge planning for COVID-19. Surgery examples include heart valve replacements, angioplasty and tumor removals, and key preventive care services, such as colonoscopies. The Administration has been working with county health directors to reintroduce capacity to allow surgeries to resume and to maintain surge capacity. Health and Human Services Agency Secretary Mark Ghaly shared slides indicating a "range of stability" for hospitalizations and admissions to Intensive Care Units (ICUs), which provides data for making the announcement today.

The balance of the press conference focused on progress toward meeting the first of six indicators: expanding testing and contact tracing to be able to identify and isolate persons with the virus. California is currently able to test approximately 16,000 individuals per day. The Administration's goal is to increase testing to 25,000 tests per day by the end of April. The longer term goal for re-opening the state is to get to a minimum of 60,000 tests per day, up to as many as 80,000 tests per day. The Administration also talked about plans to increase the number of testing sites and supplies. The state has identified swabs as the number one need to increase testing. The Governor announced that he has a commitment from President Trump for deliveries of 100,000 swabs this week, of 250,000 swabs next week, and a "substantial" increase the week after that (the week of May 4). The Administration is planning to increase testing in rural areas and underserved communities – specifically naming farm workers and communities of color – with 86 new testing sites in socio-economic disadvantaged areas and rural areas. Additionally, the Governor announced that Abbott will provide 1.5 million serological tests at 130 facilities throughout California.

The Governor went on to say that testing is not meaningful without protocols to track and trace individuals who test positive. County health departments are experienced with contact tracing – doing it for a wide range of diseases, including tuberculosis, sexually transmitted diseases, and HIV. The Administration is surveying local health department capacity and workforce to increase contact

tracing. Additionally, the Administration is looking at existing state workforce for those who want to volunteer to supplement local efforts – with the goal of creating an additional 10,000 trained tracers in California. The state workforce would build off of local infrastructure.

Note that efforts to trace will lead to the need for localities to have plans for isolation and quarantine for those who test positive. The Administration is working to identify isolation sites and building public-private partnerships to support those who are isolated. The Administration's goal is to test everyone who is symptomatic and trace contacts of the individuals who test positive. The Governor noted that if tracing demands surpass expectations, the state will recruit additional people to be trained. The Administration is also exploring the use of technology in tracing, including deploying data management system and tools by publishing a symptom-check app, deploying a data management platform, and establishing a data dashboard for the public.

Federal Relief "3.5" Package Passes Senate

The Senate passed a \$484 billion federal COVID-19 relief bill yesterday, as expected. The measure includes the following:

- \$321 billion for the Paycheck Protection Program, including \$60 billion that will be set aside for loans made by credit unions and other community-based financial institutions, with the goal of reaching underbanked businesses.
- Small Business Administration:
 - An additional \$50 billion for the Disaster Loans Program Account.
 - An additional \$10 billion for Emergency Economic Injury Disaster grants, and increasing the authorization for the grants from \$10 billion to \$20 billion.
 - \$2 billion for Small Business Administration to cover salaries and expenses for federal employees.
- \$100 billion to the Department of Health and Human Services, including:
 - \$75 billion for hospitals to cover increased expenses and lost revenue.
 - \$25 billion for coronavirus testing. Of the testing funds, \$11 billion of the testing total will go to "states, localities, territories, and tribes to develop, purchase, administer, process, and analyze COVID-19 tests, scale-up laboratory capacity, trace contacts, and support employer testing. Funds are also made available to employers for testing."
- \$1 billion for the Centers for Disease Control and Prevention.
- \$1.8 billion for the National Institutes of Health.
- \$22 million for the FDA.
- \$825 million for community health centers and rural health clinics.
- Up to \$1 billion to cover testing costs for the uninsured.
- \$6 million to the HHS inspector general's office bolster its oversight activities.

The House is expected to vote on the package tomorrow and send it to the President for immediate signature. The bill does not include relief for state and local governments, despite the push from states and localities. In related news, Senate Majority Leader Mitch McConnell said in an interview today that states and local governments should be able to "use the bankruptcy route"

rather than receive aid from the federal government. Under current law, state governments do not have the ability to declare bankruptcy; federal law would need to be changed. In a press release earlier this week, McConnell called funding for state and local governments “blue state bailouts,” despite a group of bipartisan governors asking for federal relief.

DOF Releases March Finance Bulletin

The Department of Finance released its monthly finance [bulletin](#) for March with a large caveat in bold print at the top: Most data in this issue of Finance Bulletin precede – and therefore do not fully reflect – the rapidly changing economic impacts of the COVID-19 pandemic. Something to keep in mind as we consider this month’s relatively positive data.

As of March, the state’s cash receipts were up \$1.3 billion above Governor’s budget estimates over the first nine months of year. Personal income tax receipts for the first nine months of the year are \$2.056 billion above forecast. March personal income tax receipts were \$375 million above the month’s forecast. Sales and use tax cash receipts for the first nine months of the year are \$156 million below forecast, while receipts for March were \$147 million below the month’s forecast. Corporate tax revenues for the first nine months of the fiscal year are \$152 million below forecast, and corporate tax receipts for March were \$134 million below the month’s forecast of \$1.551 billion.

Note that March receipts reflect economic activity in February, so we should begin to see more concrete data from the state as to the economic impacts of the COVID-19 pandemic next month. Even then, however, we will have limited data due to shelter-in-place orders that took effect mid-March.