Welcome to 2020

The year in which a roll of toilet paper is worth more than a barrel of oil.
What Might Have Been
REC Forecasts (not adopted) December 2019; January 2020

• $170-$236 million anticipated excess in FY2020 based on current REC forecasts (these funds are traditionally appropriated during a legislative session in the Supplemental bill or Funds bill)

• $103-$161 million increased state general fund for FY 2021
Current REC Forecasts

• FY 2020 Current Forecast:
  • State General Fund = $9.5 billion, which is $131.9 million less than originally forecasted

• FY 2021 Current Forecast:
  • State General Fund = $9.1 billion, which is $904.9 million less than originally forecasted
Feds to the Rescue
Families First Coronavirus Response Act

• The first funds approved by Congress provide the state with a 6.2% increase in the Federal Medicaid Assistance Percentage (FMAP). This increased the amount the federal government pays for treating a non-expansion Medicaid eligible patient from 66.86% to 73.06%. This amounts to a $255 million state general fund savings, which must be offset by COVID-19 expenditures.
Families First Coronavirus Response Act

On April 21, 2020, the U.S. Department of Health & Human Services, pursuant to the authority vested under Section 319 of the Public Health Service Act, renewed the public health emergency declaration as a result of the continued consequences of Coronavirus Disease 2019 (COVID-19) with an effective date of April 26, 2020.

A Section 319 determination remains in effect for 90 days or until the secretary determines that the emergency no longer exists, whichever occurs first. If the same or additional conditions continue to warrant a public health emergency, the secretary may renew the determination for additional 90-day periods.
The Coronavirus Aid, Relief, and Economic Security (CARES) Act

• Through the Coronavirus Relief Fund (CRF), the CARES Act provides for payments to State, Local and Tribal governments navigating the impact of the COVID-19 outbreak.

• The CARES Act requires that the payments from the Coronavirus Relief Fund only be used to cover expenses that:
  1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19);
  2) were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the state or government; and
  3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.
CARES Act Requirements

• Eligible expenditures include, but are not limited to, payment for:
  • Medical expenses
  • Public health expenses
  • Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
  • Expenses of actions to facilitate compliance with COVID-19 related public health measures
    • Food delivery
    • Facilitate distance learning
    • Telework capabilities for public employees
    • Paid sick and paid family and medical leave to public employees
    • Maintaining state prisons and county jails
    • Care for homeless populations
Eligible expenditures include, but are not limited to, payment for:

- Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency
- Any other COVID-19 related expenses reasonably necessary to the function of government that satisfy the Funds eligibility criteria

**May 4th FAQs:** The Fund is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency. For this reason, and as a matter of administrative convenience in light of the emergency nature of this program, a State, territorial, local or Tribal government may presume that payroll costs for public health and public safety employees are payments for service substantially dedicated to mitigating or responding to the COVID-19 public health emergency...
Balancing Two Fiscal Years During a Pandemic
STEP 1

• Fiscal Year 2019-2020
  • Resolve lower revenue forecast of $130 million
  • Repurpose general fund to meet projected budget shortfalls not eligible for CARES funding (MFP, FEMA debt payment, etc.)
  • Utilize CARES funding in accordance with the Act
  • To solve the problems, we are reducing state general fund by $257 million in various agencies that are eligible for CARES funding
  • CARES funding utilized in this process is $421 million (this also solves the shortfalls for corrections, public safety and sheriffs housing)
### Fiscal Year 2019-2020 Supplemental Needs

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Reduction from REC 5/11/20</td>
<td>-$132,000,000</td>
</tr>
<tr>
<td>Land Based Casino appropriation to Cancer Research (this payment moves from FY 20 to FY 21)</td>
<td>-$1,700,000</td>
</tr>
<tr>
<td>Funding available due to CARES Act</td>
<td>$257,404,920</td>
</tr>
<tr>
<td>Savings from GO debt and IEB</td>
<td>$3,572,862</td>
</tr>
<tr>
<td>Remaining revenue available to fund Supplemental</td>
<td>$127,277,782</td>
</tr>
</tbody>
</table>
STEP 2

• Fiscal Year 2020-2021
  • Resolve lower revenue forecast of $905 million
  • Eliminate all enhancements previously included in proposed budget
  • Repurpose general fund
  • Utilize $597 million in CARES funding for departments that are eligible
  • Utilize enhanced FMAP funding provided by the Families First Act
  • Utilize $90 million from the Budget Stabilization Fund (Rainy Day Fund) (2/3 of the eligible amount)
  • Reduce budgets by $82.1 million

Budget Balanced
### Rainy Day Fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance July, 2019</td>
<td>$405.3 million</td>
</tr>
<tr>
<td>1/3 of Beginning Balance Available for Appropriation</td>
<td>$135.1 million</td>
</tr>
<tr>
<td>Interest Earnings through April 2020</td>
<td>$4.9 million</td>
</tr>
<tr>
<td>BP Deposit (April 2020)</td>
<td>$24 million</td>
</tr>
<tr>
<td>Use 2/3 of Amount Available in FY 2021 for Appropriation in HB 105</td>
<td>-$90.1 million</td>
</tr>
<tr>
<td>25% of FY 2019 Surplus to be deposited</td>
<td>$133.6 million</td>
</tr>
<tr>
<td>Projected Beginning Balance July 1, 2020</td>
<td>$477 million</td>
</tr>
</tbody>
</table>

- **Projected Beginning Balance July 1, 2020**: $477 million
## Budget Reductions

<table>
<thead>
<tr>
<th>Department</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Health</td>
<td>$28,609,243</td>
</tr>
<tr>
<td>Higher Education</td>
<td>$21,704,560</td>
</tr>
<tr>
<td>Local Housing</td>
<td>$17,623,408</td>
</tr>
<tr>
<td>Office of Juvenile Justice</td>
<td>$2,526,912</td>
</tr>
<tr>
<td>Department of Education</td>
<td>$3,647,369</td>
</tr>
<tr>
<td>Judicial Reduction</td>
<td>$3,054,120</td>
</tr>
<tr>
<td>Legislative Reduction</td>
<td>$1,230,085</td>
</tr>
<tr>
<td>Other Various Agencies</td>
<td>$3,713,546</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$82,109,243</strong></td>
</tr>
</tbody>
</table>
Excluded from Budget Reductions

- Mental Health Advocacy
- Homeland Security
- Military
- Elderly Affairs
- Veterans Affairs
- LA War Veterans Home
- Elections Program
- Department of Children and Family Services
- Workforce Commission
- Special Schools
- MFP
- Health Care Services Division