

April 7, 2020

Honorable Holly Mitchell, Chair  
Joint Legislative Budget Committee  
Senate Budget and Fiscal Review  
Committee

Honorable Phil Ting, Chair  
Assembly Budget Committee

Honorable Anthony Portantino, Chair  
Senate Appropriations Committee

Honorable Lorena Gonzalez, Chair  
Assembly Appropriations Committee

### **Section 36.00—California Office of Emergency Services, Increase of Emergency Funding for COVID-19 Response**

Pursuant to the provisions of Section 36.00, Chapter 2, Statutes of 2020, the following report is respectfully submitted.

Since the COVID-19 epidemic broke out and California initiated its statewide response, procuring personal protective equipment (PPE) has become imperative. California, the nation, and the world are all dealing with an extreme shortage of PPE during this global pandemic.

Given the size of California and its PPE needs for healthcare workers and other essential services, the state has engaged in a multi-pronged approach to meet immediate PPE needs as well as for the duration of this event, and has already ordered approximately \$1.4 billion of PPE. California is continuing to secure PPE, through multiple channels, including purchases of existing stocks from suppliers, donations, and issuing PPE from both state and federal stockpiles. Finally, with our partners in the federal government, California will obtain and strategically place sterilization units across the state so that we can clean and re-use PPE such as N95 masks.

Despite these efforts, the state continues to experience procurement challenges, such as limited supply resulting from increased global demand, and it has become apparent that a different approach is needed to obtain critical supplies in an expedited manner and in a quantity that will immediately meet California's urgent needs.

Therefore, a relationship has been established to provide a dependable supply of needed PPE, specifically certain medical-grade masks. This approach will also allow the state procurement team to concentrate their efforts on other critical supplies and equipment, while providing a steady and significant flow of these particular commodities into the state.

Because of the necessity to obtain this volume of supplies in an expedited manner, the California Office of Emergency Services (Cal OES) will provide an initial payment of \$495 million to secure the supply of the masks.

Given the allocations in Section 36.00 made to date total \$361.8 million of the \$500 million initially available, this letter is notification of the following actions necessary to make this down payment:

- A waiver of the 72-hour notification period, as allowed per Section 36.00.
- \$138.2 million to be allocated to Cal OES from the remaining Section 36.00 funds.
- \$50 million for an increased increment to Section 36.00 funds to be allocated to Cal OES for this purpose, with a waiver of the 72-hour notification period.
- The remaining need of \$306.8 million is to be allocated to Cal OES from the funds in the Disaster Response-Emergency Operations Account (DREOA).

Below is a chart explaining the funding sources:

Initial Payment for PPE	\$495,000,000
Less Available CS 36 Funds	\$138,177,864
Less \$50 million Increment	\$50,000,000
Remainder to be Funded by DREOA Funds	\$306,822,136

The balance of payments will be made as deliveries are received, and the total payment is currently estimated to be approximately \$990 million.

Accordingly, an augmentation of \$188.2 million using Section 36.00 funds to the 2019 Budget Act item 0690-001-0001 for Cal OES is necessary to procure these masks. We will be approving this augmentation not sooner than 48 hours from the above date.

If you have any questions or need additional information regarding this matter, please call Stephen Benson, Principal Program Budget Analyst, at 916-324-0043.

KEELY MARTIN BOSLER  
Director

By:



RICHARD GILLIHAN  
Chief Operating Officer

cc: On following page

cc: Honorable Shirley Weber, Chair, Assembly Budget Subcommittee No. 5  
Honorable Nancy Skinner, Chair, Senate Budget and Fiscal Review  
Subcommittee No. 5  
Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review  
Committee  
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