

## Analysis

### Item 16: Department of Administrative Services

#### Agency Coronavirus Relief Fund Expenditure Limitation

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**Analyst:** Ken Rocco

**Request:** Increase the Other Funds expenditure limitations for 21 state agencies, per the table attached to the request, for the reimbursement of agency costs for response efforts related to the COVID-19 pandemic from the Coronavirus Relief Fund and acknowledge receipt of a report from the Department of Administrative Services on underspending of Coronavirus Relief Fund allocations previously provided to agencies through legislative processes in 2020.

**Analysis:** The Legislature has responded to the needs and problems presented by the COVID-19 pandemic in 2020 through multiple meetings of the Emergency Board and three special sessions. Much of this activity has been related to the funding Oregon received from the federal government through the Coronavirus Relief Fund (CRF). Working with the executive branch, legislative decisions have been made on the allocation of \$1.4 billion provided directly to the state for the establishment of new programs and to provide additional funding to some existing programs. One of the initial decisions made on the use of the CRF was to set aside a portion of it to reimburse the costs of state agencies incurred as they responded to the pandemic; eligible costs for these funds included payroll costs for staff responding to the pandemic or quarantined due to the pandemic, increased public education activities, establishing emergency medical facilities, and other related costs. Agencies were tracking these expenditures through the state's accounting system with the understanding that at some point the Department of Administrative Services (DAS) would request legislative action to reimburse agencies for these eligible costs using CRF instead of other resources available to the agencies.

This request seeks an increase in overall Other Funds expenditure limitation of \$132.5 million for the agencies that have submitted reimbursement requests through October 2020 and includes an estimate of agency reimbursement needs for November and December 2020. The bulk of the additional expenditure limitation is for payroll costs for staff whose work is substantially dedicated to COVID-19 response, are public health and public safety staff whose work was impacted by COVID-19, and sick leave costs for staff that had to quarantine because of COVID-19. Also covered are reimbursements for public health expenditures to provide medical, protective, and disinfectant supplies for public facilities; costs for increased telework capabilities and medical expenditures; and expenses for other activities such as public outreach campaign provider payments.

Also included in the Other Funds expenditure limitation increase is an additional \$1.6 million from the CRF provided to the Oregon Health Authority (OHA) for the reimbursement of costs incurred by the Oregon Health and Science University (OHSU) for its work on the Key to Oregon research study. OHSU initiated this work in May 2020 and ceased operations in August. Of OHSU's expenditures, nearly \$1.1 million was for the purchase of smart thermometers which will now be used by OHA to support community needs.

DAS was also asked to report on the status of CRF monies previously provided to agencies to see how much of those allocations would be spent by December 30, 2020, the original federal deadline for

actual expenses that could be funded from the CRF. The request was made to ascertain how much CRF remains unused and is available to be moved to some other approved use. After this request was made, the need to redirect CRF to other uses prior to December 30, 2020 was overridden by the federal passage of a new COVID-19 relief act that also extended the use of CRF through the remainder of 2021, or an extension of 12 months to spend the amounts remaining from the initial allocations. Based on the DAS review, eight agency programs were expected to have at least \$1.0 million unspent by the original December 30, 2020 deadline. The Chief Financial Office and the Legislative Fiscal Office reviewed these programs and made a joint recommendation to allow the agencies to continue spending through the existing programs into 2021 now that the deadline has been extended. In two cases, the recommendation is to either redirect the unused funds toward a similar program within the same agency to offset a request for additional funding at this meeting of the Emergency Board (the Rural Hospital Stabilization Grants at the Oregon Business Development Department now to be used toward commercial rent relief in Item #7) or to take the funding away from the recipient agency and redirect to another use in 2021 (the Emergency Relief Checks for Individuals). Additional CRF actions will be discussed and taken during the 2021 session.

**Legislative Fiscal Office Recommendation:** The Legislative Fiscal Office recommends that the Emergency Board increase the 2019-21 Other Funds expenditure limitations for the Oregon state agencies identified on the attached table totaling \$132,501,548 for the reimbursement of costs incurred by these agencies in responding to COVID-19 from the Coronavirus Relief Fund. The Legislative Fiscal Office also recommends that the Emergency Board acknowledge receipt of a report from the Department of Administrative Services on Coronavirus Relief Fund program underspending and planning.

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Department of Administrative Services  
Ball

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**Request:** Increase Other Funds expenditure limitation for state agencies to accommodate the reimbursement of COVID-19 related costs that are eligible for reimbursement from the Coronavirus Relief Fund.

**Recommendation:** Approve the request.

**Discussion:** State agencies have been incurring costs directly related to their response to the COVID-19 pandemic. Examples include expenditures for direct payroll costs, increased information technology needs, cleaning and disinfecting, public health education, and other expenses. Agencies have been tracking direct COVID-19 expenditures since the beginning of the pandemic and recording them accordingly in the state's accounting system.

In August, the Department of Administrative Services (DAS) began the process of reviewing agency expenses and processing reimbursements, accordingly. The Legislature previously allocated a portion of Oregon's Coronavirus Relief Funds (CRF) for this purpose and also to provide DAS with the necessary Federal Funds expenditure limitation to facilitate these payments. When funds are transferred from DAS, the reimbursement will show as Other Funds at the receiving agency.

A total of \$132.5 million in increased Other Funds expenditure limitation is requested for state agencies. The request is based actual expenditures through the end of October 2020 and includes estimated expenditures for November and December 2020.

The letter also contains a report on projected CRF underspending by agencies where the Legislature has explicitly authorized CRF expenditures by state agencies.

**Legal Reference:** Increase Other Funds expenditure limitations established by the chapters and sections, Oregon Laws 2019, as noted in the attachment, for the 2019-21 biennium.

Establishment of an expenditure limitation of \$15,468,900 for the Department of Administrative Services for the payment of expenses from fees, moneys, or other revenues including miscellaneous receipts, excluding lottery and federal funds, collected or received for the biennium beginning July 1, 2019, for expenses related to COVID-19.



# Oregon

Kate Brown, Governor

## Department of Administrative Services

Office of the Chief Operating Officer

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January 5, 2021

The Honorable Senator Peter Courtney, Co-Chair  
The Honorable Representative Tina Kotek, Co-Chair  
State Emergency Board  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301-4048

Dear Co-Chairpersons,

### **Nature of Request**

During 2020, state agencies have incurred COVID-19 related costs that are eligible for reimbursement from the Coronavirus Relief Fund (CRF). Since August, state agencies have been receiving CRF reimbursements for their expenses from the Department of Administrative Services (DAS) on a monthly basis. The DAS now requests \$132.5 million in Other Funds expenditure limitation for the various agencies to accommodate those reimbursements. In addition to this request, DAS is also reporting on CRF underspending from agencies that received CRF spending approval through the various Legislative processes that have occurred during 2020.

### **Agency Action**

#### Agency CRF Cost Reimbursements

As part of the state response to COVID-19, a portion of Oregon's Coronavirus Relief Fund (CRF) was set aside to reimburse state agencies for their COVID-19 related costs. Since the beginning of the pandemic, state agencies have recorded their COVID-19 related expenses through the state's accounting system. As examples, these expenses cover a wide range of topics including the payroll costs of employees responding to or being quarantined by the pandemic, increased public health education efforts, standing up emergency medical facilities, increased information technology demands, as well as more mundane costs such as increased cleaning and disinfecting materials. Beginning in August 2020, state agencies began requesting reimbursement for these expenses from the Department of Administrative Services (DAS). This reimbursement process was designed to cover the state agency costs that had not otherwise been explicitly reimbursed by the Legislature through the various meetings of the Emergency Board.

In reviewing the monthly agency reimbursement requests, DAS used the same process for agency reimbursements that is being applied to reimbursement requests from Cities, Counties and Oregon's Tribal nations. Similar to the requests from Cities, Counties and Oregon Tribes, once the initial CRF guidelines were understood by agencies, the vast majority of requested reimbursements were approved. Based on the month-end closing process for the state accounting system, CRF reimbursement requests from agencies are typically received by DAS about three to four weeks after the end of the calendar month. As an example, the reimbursement requests for costs through the month of November 2020 was received by DAS on December 24, 2020.

Similar to other CRF requests approved by the Legislature, CRF expenditures are recorded twice in the state budget. In all cases, because DAS is the federally designated agency to receive and disburse all CRF resources, DAS is required to spend those resources as Federal Funds. When DAS transfers CRF resources to a state agency, that agency will expend the CRF resources as Other Funds. While the Legislature has already increased the DAS Federal Funds expenditure limitation necessary to spend almost all of the CRF resources, it would be inefficient for each agency to submit an individual request for needed Other Funds expenditure limitation adjustments. This letter seeks Other Funds expenditure limitation adjustments for those various state agencies to cover their CRF reimbursements. DAS has worked with the various agencies to reduce the request if the agency already has sufficient Other Funds expenditure limitation to cover these costs.

At the time of preparing this request, the November 2020 reimbursement requests had not been completely processed. Based on this timing, this request uses actual expenditures through the end of October 2020, and estimates the expected reimbursement requests for November and December 2020. This should be sufficient for the majority of agencies.

To summarize the data through the end of October, state agencies have received reimbursements of about \$128.4 million. The largest category of these expenses is payroll costs at about \$88.3 million. These payroll costs cover staff substantially dedicated to COVID-19 response, public health and public safety staff whose work is impacted by COVID-19 and sick leave costs of staff quarantined as a result of the pandemic. In addition to the payroll costs, roughly \$12.9 million has been reimbursed to agencies for public health expenditures such as providing medical and protective supplies and disinfecting public facilities. About \$8.2 million has been reimbursed to state agencies for compliance costs, mainly in the form of increasing the state's telework capabilities. Roughly \$1.8 million has been reimbursed to state agencies for increased medical expenditures. Finally, the remaining \$17.2 million cover a variety of miscellaneous expenses ranging from increased provider payments to public outreach campaigns and more.

In addition to the actual reimbursements through October, DAS has worked with agencies to estimate the CRF reimbursement requests for November and December. As mentioned previously, November reimbursement requests were submitted on December 24 and are in the process of being approved. December reimbursement requests are due to DAS in late January 2021. Estimates from agencies for the final two months are about \$46.1 million, bringing the total actual and estimated CRF reimbursements to about \$174.5 million.

Finally, an increase of \$1.6 million in Other Funds expenditure limitation has been added to the Oregon Health Authority (OHA) to reimburse the Oregon Health and Science University (OHSU) for costs incurred from its work on the Key to Oregon research study. OHSU began this study in May 2020 to model COVID-19 disease prevalence throughout the state and improve the ability to identify outbreaks before they emerged. In August 2020, OHSU ended the study due to challenges with establishing a research cohort representative of the state's population in terms of racial diversity. Of OHSU's total expenditures, nearly \$1.1 million was for the purchase of smart thermometers. The remaining amounts supported COVID-19 testing, communications and outreach, and staffing costs. As part of this reimbursement, OHA will receive approximately 44,350 unused

smart thermometers from OHSU to support community needs. Similar to the reimbursement requests mentioned above, these costs will be reimbursed to OHA with CRF resources.

DAS has worked with agencies to eliminate or reduce limitation requests if the agency already has sufficient Other Funds expenditure limitation to cover the CRF expenditures. In total, agencies are requesting \$132.5 million in Other Funds expenditure limitation adjustments.

#### Agency Potential CRF Underspending

Over the course of 2020, the Legislature has explicitly authorized CRF expenditures for a variety of programs related to Oregon's COVID-19 response spread across 14 different state agencies. During December 2020, DAS worked with those agencies to update expenditure projections to identify where there may be potential agency underspending through the original federal CRF deadline of December 30, 2020. The majority of programs are reporting that all of the allocated CRF resources will be spent as originally anticipated, but there are eight programs where the agencies report there could be an unspent balance of greater than \$1.0 million after all expenditures are accrued on December 30, 2020.

It should be noted that Congress has passed, and the President has signed, an extension of the CRF expenditure deadline through the remainder of 2021. In practical terms, that means each of these programs could be extended as currently structured into 2021. In most cases, DAS is extending the CRF agreements with the relative agencies. The below list outlines the status of the eight programs agencies reported an unspent balance of over \$1.0 million: .

- Oregon Health Authority Contact Tracing. Originally authorized to spend \$94.2 million, the current projections through December 30, 2020 are approximately \$89.2 million. This leaves an unspent balance of roughly \$5.0 million. Given the ongoing nature of the pandemic, these resources can be used during 2021 to continue these activities.
- Oregon Business Development Department Hospital Stabilization Grants. Originally authorized to spend up to \$50.0 million, the current projections through December 30, 2020 are approximately \$34.8 million. All eligible hospitals have already had the opportunity to access the funds, so the remaining \$15.2 million could be used for other purposes, such as offsetting state funding needed for other COVID related business supports in 2021.
- Oregon Business Development Department Personal Protective Equipment (PPE) for Small Business. Originally authorized to spend up to \$10.0 million, the current projections through December 30, 2020 are approximately \$9.0 million. The remaining \$1.0 million can be used to help continue this program into 2021.
- Oregon Watershed Enhancement Board Agricultural Worker Protections. This program to reimburse growers for housing, field sanitation and protective supplies was originally authorized at \$16.0 million. The current projections through December 30, 2020 are approximately \$5.6 million. While this program was fully marketed to producers, costs for compliance with OSHA rules was under original estimates. The remaining \$10.4 million is available to be spend for other CRF purposes.

- Department of Consumer and Business Services COVID Leave for Quarantine Workers. Originally authorized at up to \$30.0 million, the current projections through December 30, 2020 are approximately \$11.1 million. The remaining \$18.2 million is available to continue this program into 2021.
- Department of Administrative Services Reimbursements for Cities, Counties and Special Districts. This program was originally authorized at \$200.0 million to reimburse these entities for their COVID related expenditures. The allocation for Special Districts has been fully expended. Of the allocation for Cities and Counties, reimbursement requests through the end of the October 2020 had used up all but \$51.6 million. Reimbursement requests for November 2020 were received in late December and are currently in the review process. Reimbursement requests for December will be received in January 2021. DAS has notified the Cities and Counties that their reimbursement window has been extended into 2021.
- Department of Administrative Services Emergency Relief Checks for Individuals. Originally authorized to spend \$35.0 million, this program closed on October 1, 2020 with actual spending of \$32.5 million. The remaining balance of \$2.5 million is available to spend for other CRF purposes.
- Department of Administrative Services PPE Purchases for Cities, Counties and Tribes. Originally authorized at \$105.0 million, the current projections through December 30, 2020 are \$90.9 million. The remaining balance of \$14.1 million is available for continued PPE needs in 2021 or other uses.

Finally, all of the information contained in these reports are based on agency estimated expenditures for the months of November and December. Some of these amounts may fluctuate as actual expenditures for those months are known and appropriately accounted for by the agencies. Actual costs through December should be known in late January or early February.

#### **Action Requested**

Increase Other Funds expenditure limitation as requested in the attached table.

#### **Legislation Affected**

Various modifications to 2019 budget bills.

Sincerely,



Katy Coba

DAS Director | Chief Operating Officer

CC: Dustin Ball, Department of Administrative Services  
Paul Siebert, Legislative Fiscal Office

**CRF OF Limitation Reimbursement**

		Bill	Chapter	Section/ Sub	Fund	Other Funds
Appropriation Description		Number				
<b>ADMINISTRATION</b>						
DEPT OF ADMIN SERVICES	COVID Reimbursement (CRF)	NEW	NEW	NEW	OF	15,468,900
SECRETARY OF STATE	Administrative Services Division	HB 5034	672	02-01	OF	112,117
SECRETARY OF STATE	Audits Division	HB 5034	672	02-03	OF	230,562
SECRETARY OF STATE	Archives Division	HB 5034	672	02-04	OF	56,994
SECRETARY OF STATE	Corporation Division	HB 5034	672	02-05	OF	100,416
LIQUOR CONTROL COMMISSION	Administrative expenses	SB 5519	694	01-01	OF	589,729
OFFICE OF THE GOVERNOR	Operating Expenses	HB 5021	665	04	OF	2,126,093
<b>CONSUMER AND BUSINESS SERVICES</b>						
HEALTH RELATED LICENSING BRDS	Board of Medical Imaging	HB 5022	25	04	OF	1,314
BUREAU OF LABOR AND INDUSTRIES	Operating Expenses	SB 5516	633	02	OF	300,000
<b>ECONOMIC DEVELOPMENT</b>						
DEPT OF VETERANS AFFAIRS	Veteran Loans, Oregon Veterans' Homes	SB 5538	570	03-01	OF	300,000
<b>EDUCATION</b>						
TEACHER STANDARDS/PRACTICES	Operating Expenses	SB 5537	569	01	OF	2,418
<b>HUMAN SERVICES</b>						
LONG TERM CARE OMBUDSMAN	Operating Expenses	SB 5520	521	02	OF	19,899
DEPT OF HUMAN SERVICES	Central services and state assessments and enterprise-wide costs	HB 5026	668	02-01	OF	3,643,517
DEPT OF HUMAN SERVICES	Self-sufficiency and vocational rehabilitation services	HB 5026	668	02-02	OF	11,597,486
DEPT OF HUMAN SERVICES	Child welfare	HB 5026	668	02-03	OF	12,054,546
DEPT OF HUMAN SERVICES	Aging and people with disabilities and intellectual/developmental disabilities programs	HB 5026	668	02-04	OF	20,077,361
DEPT OF HUMAN SERVICES	Shared services	HB 5026	668	02-05	OF	2,709,303
OREGON HEALTH AUTHORITY	Health Systems, Health Policy and Analytics, and Public Health	SB 5525	695	02-01	OF	27,895,283
OREGON HEALTH AUTHORITY	Oregon State Hospital	SB 5525	695	02-02	OF	630,518
OREGON HEALTH AUTHORITY	Central Services, State Assessments and Enterprise-wide Costs	SB 5525	695	02-03	OF	2,061,363
OREGON HEALTH AUTHORITY	Shared Administrative Services	SB 5525	695	02-04	OF	4,225,182



**CRF OF Limitation Reimbursement**

		Bill		Section/		
	Appropriation Description	Number	Chapter	Sub	Fund	Other Funds
<b>JUDICIAL BRANCH</b>						
JUDICIAL DEPARTMENT	Operations	SB 5513	691	02-01	OF	3,126,028
PUBLIC DEFENSE SERVICES	Professional services	SB 5532	303	02-01	OF	382,671
PUBLIC DEFENSE SERVICES	Contract and Business Services Division	SB 5532	303	02-02	OF	131,420
<b>NATURAL RESOURCES</b>						
LAND USE BOARD OF APPEALS	Other funds	HB 5028	219	02	OF	44,924
DEPARTMENT OF STATE LANDS	Common School Fund programs	HB 5035	454	01-01	OF	14,148
DEPARTMENT OF STATE LANDS	South Slough National Estuarine Research Reserve operations	HB 5035	454	01-03	OF	1,138
DEPT OF ENVIRONMENTAL QUALITY	Agency management	HB 5017	663	02-04	OF	1,014,000
DEPT OF FORESTRY	Agency administration	HB 5019	664	02-01	OF	1,200,000
<b>PUBLIC SAFETY</b>						
BOARD OF PAROLE/POST PRISON	Other funds	SB 5528	523	02	OF	12,481
DEPT OF CORRECTIONS	Operations and health services	SB 5504	688	02-01	OF	20,958,173
DEPT OF JUSTICE	Division of Child Support	SB 5515	692	02-08	OF	630,000
PUBLIC SAFETY/STDS/TRAINING	Operations	SB 5533	479	02-01	OF	783,564
<b>TOTAL</b>						<b>132,501,548</b>