



**DEPARTMENT OF
FINANCE**
OFFICE OF THE DIRECTOR

GAVIN NEWSOM - GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

June 11, 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

**Disaster Response-Emergency Operations Account Request—Civil Disturbance
Response, Notification of Receipt and Approval of an Emergency Unanticipated Cost
Funding Request from the California Military Department, and Notification of Intent to
Fund Through Supplemental Appropriations Bill**

Pursuant to the provisions of Government Code section 8690.6 and Provisions 5 and 6 of Item 9840, the following report is respectfully submitted.

Government Code section 8690.6 makes Disaster Response-Emergency Operations Account (DREOA) funds available, upon allocation by the Director of the Department of Finance, to state agencies for disaster response operation costs incurred as a result of a proclamation by the Governor of a state emergency.

On May 30, 2020, Governor Newsom proclaimed a state of emergency for Los Angeles City and County to assist local authorities in their response to widespread civil disturbances. The Governor, through the California Office of Emergency Services, mobilized 8,000 members of the California National Guard to support local authorities throughout the state. Of that total, 5,500 members were ultimately deployed to Los Angeles City and County and related costs are DREOA-eligible under the emergency declaration. The California Military Department's (CMD) costs associated with the activation of these troops are summarized on Attachment I.

In recognition of the need to act as expeditiously as possible to support expenditures incurred protecting public safety, Finance will immediately transfer \$18,166,000 from the General Fund to DREOA. These funds will be utilized to support the state's efforts to mitigate civil unrest in Los Angeles City and County.

Qualifying efforts commenced immediately, and within 120 days of the Governor's proclamation of a state of emergency as required by Government Code section 8690.6.

We have reviewed the emergency Unanticipated Cost Funding Request submitted by the CMD on June 10, 2020 (Attachment II). As defined in Provision 5 of Item 9840, an emergency expense is an expense incurred in response to conditions of disaster or extreme peril that threaten the immediate health or safety of persons or property in this state.

The CMD requests a supplemental appropriation in the amount of \$6,552,000 to cover unanticipated costs associated with the remaining 2,500 members who served outside the City and County of Los Angeles, and whose costs were not covered under the emergency declaration. The funds will be needed by June 30, 2020.

Based on the factors listed above, we concur with the emergency unanticipated cost funding request. In accordance with Provision 5 of Item 9840 for emergency authorization, we have approved the Department's request and are providing funding immediately from Item 9840-001-0001, Augmentation for Contingencies or Emergencies, in the amount of \$4,190,000, which is the amount remaining in the appropriation and available for transfer. We are providing you notice within 10 days of our approval. The remaining \$2,362,000 needed to fund this unanticipated cost request will be pursued through a Supplemental Appropriations Bill. Acknowledgement of the intent to pursue funding through a Supplemental Appropriations Bill will be sent to the CMD.

Please call John Fitzpatrick, Principal Program Budget Analyst, at (916) 445-8913 if you have any questions.

KEELY MARTIN BOSLER

Director

By:



VIVEK VISWANATHAN

Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee
Honorable Anna M. Caballero, Chair, Senate Budget and Fiscal Review
Subcommittee No. 4
Honorable Shirley Weber, Chair, Assembly Budget Subcommittee No. 5
Gabriel Petek, Legislative Analyst (3)
Joe Stephenshaw, Staff Director, Senate Budget and Fiscal Review Committee
Mark McKenzie, Staff Director, Senate Appropriations Committee
Kirk Feely, Budget Fiscal Director, Senate Republican Fiscal Office
Christopher W. Woods, Senate President pro Tempore's Office (2)
Christian Griffith, Chief Consultant, Assembly Budget Committee
Jay Dickenson, Chief Consultant, Assembly Appropriations Committee
Cyndi Hillery, Budget Director, Assembly Republican Caucus, Office of Policy and
Budget
Jayme Chick, Deputy Chief of Staff, Policy, Assembly Republican Leader's Office
Alex Khan, Chief Consultant, Assembly Republican Leader's Office
Jason Sisney, Assembly Speaker's Office (2)
Major General David S. Baldwin, The Adjutant General, California Military
Department
Colonel Craig Sandman, Comptroller, California Military Department
Mark Ghilarducci, Director, Office of Emergency Services

Attachment I

California Military Department May/June 2020 Civil Unrest Activation Costs

National Guard Service Members				Costs	
Date	Total	LA	Other	DREOA-Eligible	Non-DREOA
5/29/2020	700	700	0		\$ 308,000
5/30/2020	3,300	3,300	0	\$ 1,482,000	\$ -
5/31/2020	3,300	3,300	0	\$ 1,482,000	\$ -
6/1/2020	4,300	4,300	0	\$ 1,922,000	\$ -
6/2/2020	8,000	5,500	2,500	\$ 2,440,625	\$ 1,109,375
6/3/2020	8,000	5,500	2,500	\$ 2,440,625	\$ 1,109,375
6/4/2020	8,000	5,500	2,500	\$ 2,440,625	\$ 1,109,375
6/5/2020	8,000	5,500	2,500	\$ 2,662,000	\$ 1,210,000
6/6/2020	6,390	4,787	1,760	\$ 2,316,908	\$ 851,840
6/7/2020	2,103	1,112	991	\$ 538,208	\$ 479,644
6/8/2020	658	403	255	\$ 195,052	\$ 123,420
6/9/2020	506	251	255	\$ 121,484	\$ 123,420
6/10/2020	506	251	255	\$ 121,484	\$ 123,420
6/11/2020	7	2	5	\$ 968	\$ 2,420
6/12/2020	3	2	1	\$ 968	\$ 484
6/13/2020	3	2	1	\$ 968	\$ 484
6/14/2020	1	0	1	\$ -	\$ 484
6/15/2020	1	0	1	\$ -	\$ 484
				\$ 18,165,915	\$ 6,552,225



MILITARY DEPARTMENT
OFFICE OF THE ADJUTANT GENERAL
9800 Goethe Road
Sacramento, California 95827-3561

NGCA-JSD-SC

10 June 2020

MEMORANDUM FOR John Fitzpatrick, Principal Program Budget Analyst (Department of Finance, Corrections/General Government Unit; 915 L Street, Sacramento, CA 95814)

SUBJECT: Unanticipated Cost Funding Request

1. The California Military Department projects to incur payroll and incidental costs of \$6,552,000 against its General Fund State Operations appropriation (8940-001-0001) brought about by the unexpected expenditures from the recent activation of Emergency State Active Duty (ESAD) personnel from the California National Guard to assist local authorities outside of the City and County of Los Angeles with civil disturbances.
2. The CMD's budget structure differs greatly from most other state departments due to its reliance upon its General Fund state operations cash allocation \$77,184,000 for fiscal year 2019-20 to provide the initial funding for scheduled reimbursements of \$20,731,000 and for reimbursable federal expenditures of \$118,803,000 from cooperative agreements that provide support for the CMD's armories, airfields and training centers. Without any extraordinary expenditures, the CMD's cash allocation supports over \$216,718,000 in expenses, or 2.8 times its allocated General Fund state operations cash.
3. Traditionally, the CMD experiences a cash flow shortage in the second half of the fiscal year while it awaits payments from the federal government, and in the past has drawn upon loans authorized in prior budget acts, and since 2018 has relied upon a \$37,000,000 offset to its federal expenditures to sustain the department until federal reimbursements are collected. Reimbursements from the federal government may take up to 90 days to collect.
4. In extraordinary times that are becoming more commonplace, the CMD provides support to other state agencies and/or local authorities as they address wildfires, earthquakes, floods, and most recently, civil disturbances. In all of these dire events, the CMD has to spend its limited operating cash to accomplish its assigned missions and seek reimbursements or request supplemental appropriations from other state funds to allow the department to continue to function. Any extraordinary event that the CMD responds to further exacerbates the CMD's cash flow problems, but experiencing events on such a large scale as the current statewide array of civil disturbances at the end of the fiscal year guarantees that the CMD will deplete its operating cash and overspend its General Fund appropriation.
5. Without a supplemental appropriation of \$6,552,000, the CMD will deplete its cash, overspend its appropriation, and will not be able to meet its financial obligations.

SUBJECT: Unanticipated Cost Funding Request

6. Any questions regarding this memorandum can be directed to Mr. Ajit Bindra, Budget Officer at 916-854-3589 or ajit.s.bindra.nfg@mail.mil.



CRAIG L. SANDMAN
Colonel, CAARNG
Comptroller

Attachment:
DF-580 Unanticipated Cost Funding Request

I. APPROPRIATION/FUND TO BE ADJUSTED

DEPARTMENT: California Military Department (CMD)

ITEM NUMBER:
8940-001-0001

FUND:
General Fund

AMOUNT OF FUNDING REQUESTED:
6,552,000

FISCAL YEAR:
2019-20

II. JUSTIFICATION FOR REQUEST (Please provide the following information: reason for expense and basis of determination that the expense is needed.) DOF may not approve requests for: (a) capital outlay funding, (b) prior year expenses, (c) expenses related to legislation enacted without an appropriation, (d) startup costs of programs not yet authorized by the Legislature, (e) costs that could have been included in May Revision, and (f) costs that the Administration has the discretion to incur or not incur. (Use attachments if additional space is needed.)

This California Military Department (CMD) requests a supplemental appropriation of \$6,552,000 to cover the unanticipated costs associated with the State of Emergency declared by Governor Newsom, on May 30, 2020. The Governor, through the California Office of Emergency Services, mobilized 8,000 members of the California National Guard under Military and Veterans Code sections 143 and 146 to support local authorities in Los Angeles County and the City of Los Angeles in their response to widespread civil disturbances. Of the 8,000 service members mobilized, 2,500 have been tasked to assist civilian authorities outside of the City and County of Los Angeles and their costs are not supported by the Governor's State of Emergency Declaration.

III. EMERGENCY NOTIFICATION

Is this an emergency request for funding unanticipated costs? (An emergency request is for expenses incurred in response to conditions of disaster or extreme peril that threaten the immediate health or safety of persons or property in this state.)

☐ NO

☒ YES (If yes, please provide reason for expense and basis for determining this an emergency. Use attachments if additional space is needed.)

The episodes of civil unrest in Los Angeles County and the City of Los Angeles compelled local authorities to request that Governor Newsom declare a State of Emergency and activate the California National Guard under Military and Veterans Code sections 143 and 146 to support local law enforcement. The activation of 2,500 members of the California National Guard, who are supporting local authorities throughout California and are not covered by the Governor's State of Emergency Declaration, will exhaust the CMD's operating cash and cause the department to overspend its budgeted appropriation for fiscal year 2019-20.

IV. PROVIDE A DETAILED EXPLANATION OF ALL LEGALLY PERMISSIBLE STEPS THAT HAVE BEEN TAKEN TO AVOID ADDITIONAL COSTS, (e.g., reduce spending, etc.) (Add attachments if additional space is needed.)

The CMD is following the direction laid out by the Department of Finance in Budget Letter 20-11 and taking steps to reduce current year expenditures regardless of funding source. The department has cancelled all non-essential travel and is using discretion when filling vacancies. A weekly report of exemptions approved by the Comptroller under the authority of the Adjutant General is submitted to our assigned Finance Budget Analyst. Additionally, if directed, the CMD may suspend vendor payments until it obtains sufficient cash.

V. WAS THIS NEED FOR FUNDING PREVIOUSLY DENIED IN A LEGISLATIVE BUDGET COMMITTEE ACTION? (Use attachments if additional space is needed.)

☒ NO

☐ YES (when and why?)

VI. MONTH AND YEAR WHEN SPENDING AUTHORITY TO OBLIGATE FUNDS (not make cash payment) WILL BE NEEDED.

Month: June Year: 2020

VII. REQUESTING DEPARTMENT

Approved By: C. L. F.

Title: Comptroller

Date: 10 June 20

VIII. AGENCY SECRETARY (IF APPROPRIATE)

Approved By: [Signature]

Date: 6/10/2020

IX. DEPARTMENT OF FINANCE

Date Received: _____

Date of Notice to Legislature: 6/11/20