

# COVID-19 Continuity of State Operations

Office of State Budget and Management  
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*April 7, 2020*

*Presentation to House Continuity of State Operations Working Group*



# Agenda

- Overview of Continuity of Operations (COOP)
  - COOP Executive Orders
  - State Agency Management
    - Budget Administration and Cash Management
  - Human Resources Updates
- Economic Outlook and Fiscal Picture
- Legislative Actions Needed



# Executive Orders Related to Continuity of Operations

Date	EO #	Description
March 30	122	<ul style="list-style-type: none"><li>• Authorizes donations and transfers of surplus State property, personal protection equipment (PPE), and other healthcare supplies</li></ul>
March 27	121	<ul style="list-style-type: none"><li>• Stay at home order with exceptions for essential activities, including essential governmental operations</li><li>• Limits mass gatherings to ten persons or fewer</li></ul>
March 20	119	<ul style="list-style-type: none"><li>• Orders the DMV Commissioner to take certain actions to limit the spread of COVID-19</li></ul>
March 17	118	<ul style="list-style-type: none"><li>• Authorizes the Department of Commerce to take certain actions to provide necessary unemployment benefits to those affected by COVID-19</li></ul>
March 10	116	<ul style="list-style-type: none"><li>• State of Emergency Declaration</li><li>• Authorizes certain restrictions to be waived for drivers transporting medical supplies and other equipment related to the COVID-19 response (amended in EO 119)</li><li>• Authorizes access to the State Emergency Response and Disaster Relief Fund</li></ul>



# Budget Execution

## Allotments

- Moved from Quarterly to Monthly for April – June 2020

## Daily Deposit and State Controller Deadlines

- State Treasurer working with agencies on daily deposit requirements
- Office of State Controller working with agencies on Eagle, Cash Management, and CAFR

## Hiring or Other Restrictions

- At this time, no restrictions being instituted



## Receipt-Supported Operations

- Working with agencies to provide maximum flexibility to cover payroll and mandatory expenses
- Additional funding will be requested in any COVID-19 State-Aid response

## COVID-19 Expenditures and Lost Revenues

- Each agency is tracking using their fund, account, or cost center structure
- OSBM maintaining database of where each agency is recording these and how



# Human Resources Updates

- Some facilities are closed but state government *remains open and operational*
- Teleworking
  - March 10: OSHR asked employers to utilize telework to the greatest extent possible
  - April 5: OSHR asked for all non-mandatory employees to not come in to state facilities
- State Emergency Leave – 3 Leave Provisions
  - Provision 1 (March 10-15, 80 hours)
  - Provision 2 (March 16-31, 96 hours) & Provision 3 (April 1-?, 168 hours)
    - Available to all employees who:
      - Are sick with or caring for a dependent sick with COVID-19 symptoms
      - Cannot work due to caring for children and elders because of facility closures
      - Are not able to telework due to the nature of their job
- Community Service Leave (CSL) ([VolunteerNC.org](https://www.VolunteerNC.org))
  - State employees may use unlimited CSL hours to volunteer in support of COVID-19-related nonprofits and relief efforts through the end of April



# COVID-19: Federal Stimulus Funds

## Primary Areas of Support

- Federal Medical Assistance Percentage (FMAP) Increase: 6.2%-point increase
  - NC est. \$13-15M per week
- Coronavirus Relief Fund: \$150B
  - NC est. allocation: \$4.07B (for state and local governments)
- Disaster Relief Fund: \$45B
  - NC est. allocation: TBD
- Education Stabilization Fund: \$30.75B total
  - K-12: \$13.23B | Higher Ed: \$12.56B | Discretionary: \$3B
  - NC est. allocation: \$849M



## Economic Outlook

### Heading for a recession, if not already in one

- Expect GDP to contract slightly in Q1 and substantially in Q2
- 305,804 initial UI claims in NC for March 16-30 (90% COVID-19)

### Working assumptions

- Nike swoosh recovery curve
- Rapid decline in state output in Q2, start recovering in Q4
- NC unemployment rate likely to peak around 10% by end of 2020

### Updated revenue estimates expected in early April

- Delay in income and franchise tax payments to July 15
- Sales taxes are expected to take a major hit
- Withholding tax will be affected by job losses





# Revenue and Fiscal Picture

## Revenue and Expenditure Picture Before Covid-19

		FY 2019-20	FY 2020-21
1	<b>Budget Availability</b>		
2	Unappropriated Balance	645,592,678	2,256,664,283
3	Reversions	287,029,354	200,000,000
4	Overcollections	896,662,617	-
5	Highway Fund Recovery Act (S.L. 2019-15)	(120,000,000)	
6	Total Prior-Year End Fund Balance	1,709,284,649	2,456,664,283
7			
8	Certified Tax and Nontax Revenues (S.L. 2019-250)	25,068,500,000	26,033,200,000
9	Other Adjustments (S.L. 2019-250)	(13,708,546)	(12,208,447)
10	Savings Reserve (S.L. 2019-250)	(36,555,000)	(150,450,000)
11	<b>Total Availability</b>	<b>26,727,521,103</b>	<b>28,327,205,836</b>
12			
13	General Fund Appropriations (S.L. 2019-250)	24,370,856,820	24,733,201,295
14	General Fund to DOT (S.L. 2019-251)	100,000,000	-
15	<b>Total Appropriations in Mini Budgets</b>	<b>24,470,856,820</b>	<b>24,733,201,295</b>
16			
17			
18	<b>Balance</b>	<b>2,256,664,283</b>	<b>3,594,004,541</b>

## Revenue and Expenditure Picture After Covid-19

		FY 2019-20	FY 2020-21
1	<b>Budget Availability</b>		
2	Unappropriated Balance	645,592,678	?
3	Reversions	287,029,354	-
4	Overcollections	896,662,617	-
5	Highway Fund Recovery Act (S.L. 2019-15)	(120,000,000)	
6	Total Prior-Year End Fund Balance	1,709,284,649	-
7			
8	Certified Tax and Nontax Revenues (S.L. 2019-250)	25,068,500,000	26,033,200,000
9	Other Adjustments (S.L. 2019-250)	(13,708,546)	(12,208,447)
10	Savings Reserve (S.L. 2019-250)	(36,555,000)	(150,450,000)
11	Revenue Loss	??	??
12	Revenue Shift due to July 15 Tax Deadline	will net to \$0 but cash concern in year 1	
13	Enhanced FMAP + 6.2%	~\$330,000,000	not clear how long
14	Coronavirus Relief Fund (federal funds)	\$2.2 billion	-
15	<b>Total Availability</b>	<b>26,727,521,103</b>	<b>25,870,541,553</b>
16			
17	General Fund Appropriations (S.L. 2019-250)	24,370,856,820	24,733,201,295
18	Covid-19 Expenditures	?	?
19	General Fund to DOT (S.L. 2019-251)	100,000,000	-
20	<b>Total Appropriations in Mini Budgets</b>	<b>24,470,856,820</b>	<b>24,733,201,295</b>
21			
22	<b>Balance</b>	?	?



## COVID-19: State Funding Package

Categorizing identified needs by the following broad categories:

- Immediate Health and Public Safety
- Continuity of Operations for Education and State Government Services
- Small Business Assistance
- Workforce Stabilization

Continually updating estimated needs as new information is available

Agencies will:

- Continue to provide OSBM updates on costs, revenue losses and other impacts
- Share guidance from federal partners on federal funds and update state needs accordingly

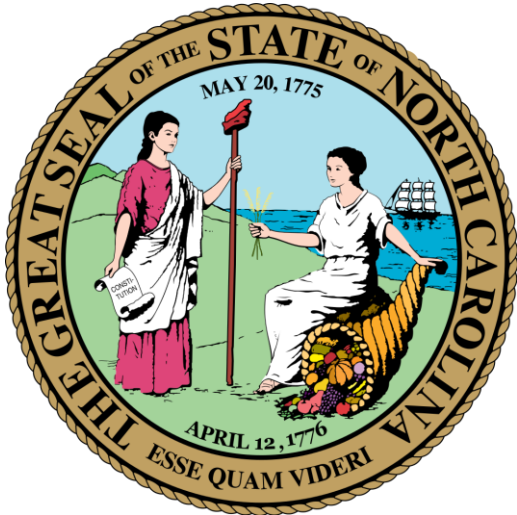


# Continuity of Operations Agency Needs

		Estimated Need*
Revenue Loss	<ul style="list-style-type: none"><li>Rental income; gate receipts for state attractions including zoo, aquariums, and fair grounds; fee-supported services in labor, agriculture, environmental quality</li><li>Also includes lost revenue for DNCR “Friends” groups who support operations</li><li>State Ports</li></ul>	\$18.5 M
Equipment	<ul style="list-style-type: none"><li>Primarily laptops, other equipment needed for response operations, teleworking, virtual visitation for facilities, etc.</li></ul>	\$3.0 M
Staffing Needs	<ul style="list-style-type: none"><li>Overtime for existing employees (prison, juvenile, and mental health facilities)</li><li>Other temporary staffing needs</li></ul>	\$20 M

*\* Notes*

- Estimates provide to OSBM in mid-March with updates in early April 2020*
- Excludes UNC, community colleges, and public instruction requests for public schools*
- FEMA reimbursement may be available for a portion of these expenses*



Questions?