



1111 Franklin Street  
Oakland, CA 94607-5200  
Phone: (510) 987-9074  
<http://www.ucop.edu>

April 15, 2020

The Honorable Gavin Newsom  
Governor of California

The Honorable Toni G. Atkins  
Senate President pro Tem

The Honorable Anthony Rendon  
Assembly Speaker

Dear Governor Newsom, Pro Tem Atkins, and Speaker Rendon:

The COVID-19 pandemic is an evolving, unprecedented global crisis of a scale that we have never seen. The University of California (UC) campuses and health centers are on the front lines of managing this global public health emergency while things continue to change rapidly. I want to thank each of you for your strong leadership responding to the COVID-19 crisis. Recent Executive Orders related to COVID-19 are allowing the California health care system to increase capacity while providing flexibility to address this growing pandemic. UC is following the guidance provided by the Governor, the California Department of Public Health, and the Centers for Disease Control and Prevention (CDC) as we continue to take steps to best protect our students, faculty, staff, and communities.

As the world's largest public research university system, UC is confronting many of the worst impacts of the virus all at once. We are a health care system saving lives; a research enterprise seeking cures and a vaccine; an education system quickly transitioning to remote instruction; and an employer working hard to protect our workforce in the face of an economic downturn. We also appreciate the inquiries made by the administration, many Legislators, and Constitutional Officers related to the fiscal impacts to the University due to COVID-19. UC will have tremendous costs due to the COVID-19 response, both in new expenditures and lost revenues. I am bringing to your attention these significant, unanticipated costs to UC in many areas from health to student housing, which for March 2020 alone totaled \$558 million. As you consider the 2020-21 State budget, providing funding for UC to cover some of our COVID-19 response costs will help UC provide students the education they were promised, treat our employees with fairness, and provide our communities with compassionate care.

### **UC Campuses – Fiscal Impact**

Campus expenditures and losses are due to issues that are outlined in detail below, but include significant categories such as cancelled housing and dining contracts, facility cleaning costs, and transitioning to remote instruction. While cost data is not yet complete, we are estimating that for March 2020 alone UC campuses will exceed \$310 million in new expenditures and lost revenues. Most of these expenditures occurred in the last two weeks in March when the State mobilized its response to COVID-19. It is likely that future expenditures will be even higher as our costs begin to reflect a full month of new expenditures and lost revenues for all cost categories.

Although the recently-enacted federal CARES Act (H.R. 748) will provide some much needed relief to our campuses, the \$260 million in direct assistance that UC campuses will receive through the CARES Act will not be sufficient to cover even the first month of our COVID-19 response. UC is committed to sharing with you, our State partners, information that will provide verification of our estimated new expenditures and lost revenues, as well as any new applicable federal stimulus funds. We hope to receive these funds from federal and/or other sources so that we can ensure we continue to meet our education, research, and public service missions.

### **UC Health System – Fiscal Impact**

The University of California Health Systems are comprised of 19 health professional schools and six academic health centers which are located on the Davis, Irvine, Los Angeles, Riverside, San Diego, and San Francisco campuses. Collectively we are working on the front lines of treating and managing this evolving public health emergency. While cost data is not yet complete, we are estimating that for March 2020 alone our health centers had \$248 million in new expenditures or revenue losses due to emergency medical services, and lost revenue from other patient services. Please note that because revenues are a lagging indicator, we do not yet have reliable data for lost revenues.

The Federal Department of Health and Human Services recently announced that it is beginning the delivery of the initial \$30 billion in relief funding to providers in support of the national response to COVID-19 as part of the distribution of the \$100 billion provider relief fund provided for in the CARES Act. Based on the announcement UC health systems will receive an estimated \$177 million – again, short of the first month's losses. In addition, UC intends to apply for every source of funding that has been made available or will be available in the future. Other hospitals across the state and country also will be applying for this limited funding. Although we believe we will receive some level of support, we cannot be certain at this time of the amounts, sources, or duration of available funding. We will provide verification of our estimated new expenditures and lost revenues and keep you apprised of funds received as we continue to serve our patients, workers, and students.

UC is taking every possible action to protect the system's 285,000 students and 227,000 faculty, researchers, and staff from COVID-19. Our ten campuses have taken unprecedented steps to ensure that social distancing is possible. Likewise, UC Health is caring for COVID-19

patients at five of our academic health centers, conducting thousands of tests in our laboratories, and researching for a cure. Outlined below are the UC operational areas with exceptional costs due to pandemic responses implemented with the health and welfare of our campus communities in mind.

### **Student Protection**

**Remote Learning.** UC has taken the critical step of transitioning student instruction and coursework to remote learning modalities because this is the safest way to continue instruction and ensure degree completion. Various forms of remote instruction were already occurring at our institutions, but the rapid, large-scale migration to online platforms for nearly all of our students is a significant expense for campuses and students. Various forms of student support had to be moved to remote access, as well. Campuses have additional costs in IT security, technological investments, and payments to online meeting platform providers.

**Lost Housing Revenue.** UC is providing students prorated refunds on their housing and dining services agreements in the event they choose to leave on-campus housing. UC has already lost hundreds of millions in housing and dining revenue from students choosing to leave campuses, and anticipates losing more revenue by the end of the spring term. UC is not fully shutting down the dormitories because we serve many vulnerable student populations, including students from low-income families, homeless students, and former foster youth, for whom the loss of on-campus housing and dining services would represent the loss of an important social safety net. Students have been consolidated into fewer open campus housing facilities and those facilities are being deep-cleaned regularly. In addition, several campuses are working with their local counties to explore repurposing residential halls to assist communities with COVID-19 response.

**Student Medical Care.** UC campus-based Student Health and Counseling centers have transitioned to offering most of their services by telephone or tele-video visits, in addition to providing on-site services including evaluation and medically necessary testing for COVID-19 as well as other routine primary care services. Since the start of the COVID-19 pandemic, the Student Health and Counseling centers have developed the combined capacity to offer over 5,000 telehealth visits per week to provide medical and mental health care to students. While both the U.S. Department of Health and Human Services and Governor Newsom have issued waivers and orders liberalizing the use of telehealth services within California, further actions to remove federal and state restrictions that prevent licensed health care providers from delivering telehealth care across state lines are required.

**Student Health Insurance.** The UC Student Health Insurance Plan (UC SHIP) has adopted full coverage with no out-of-pocket costs for screening, clinical evaluation, and medically necessary testing for all UC SHIP students with possible COVID-19 disease. UC SHIP has also made available LiveHealth Online, Anthem's nationwide telehealth service, which provides accessibility to telehealth primary care, behavioral health, and psychiatry services 24/7, at little or no cost to UC SHIP students and to all other students as covered by their insurance plans. UC SHIP has also made a number of changes in response to the COVID-19 pandemic

that help UC SHIP students access care anywhere in the US or abroad, identify local in-network providers in their area, obtain referral assistance when necessary, and facilitate the renewal of prescriptions from anywhere in the US. UC students who are traveling or residing away from their home campus can access any of the ten UC Student Health and Counseling centers across California to receive primary care or prescription refills. UC SHIP students also have access to Anthem's extensive domestic and global provider network. Information on the above changes has been communicated to students on a variety of UC digital media platforms.

**Cancelled Programs.** In order to protect our students, we have brought back thousands of students studying abroad. In addition, we cancelled our Washington, D.C., program for the spring term. UC also provided housing to the returning students in quarantine for 14 days upon their return to ensure student health and to limit potential community transmission of the virus. UC still must honor the contracts for housing and special activities abroad for these cancelled programs even though we are not charging students program fees.

**Increased Need for Financial Aid.** The CARES Act provides higher education institutions funding for "emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus." UC anticipates receiving an estimated \$130 million in direct financial aid to our students, which should cover additional needs for the next several academic terms. Some students who are currently receiving financial aid through Cal Grants and UC Grants may need more assistance under the new economic circumstances. In addition, there will be students previously ineligible for any financial aid due to higher family incomes who may begin needing financial aid assistance for the first time if their family income unexpectedly decreases due to the economic downturn spurred by COVID-19. UC will recalculate financial aid for students whose families are experiencing economic losses and utilize anticipated federal funds to fill this new need. UC is also committed to helping students who are ineligible for the federal relief, such as our undocumented student population. In addition, UC is also helping students through our rapid rehousing funds and basic needs services. Now that our students are experiencing great need, it is important that we maintain these services that provide access to fundamental necessities.

**Other Assistance.** Although UC will recalculate financial aid for students whose families are experiencing economic losses, there are areas where the State could be of assistance in supporting students and their families. These include providing additional protections to students who leave off-campus rental agreements for their personal safety and providing college students eligibility to reduced-cost home internet service programs.

**Unknown Impact on Student Success.** As COVID-19 forces students, faculty, and staff to socially distance and stay at home to protect themselves and their communities, the impact on students' ability to successfully focus on courses and succeed in their learning is yet unknown. Fall 2020 retention rates, especially for vulnerable student groups, will be telling regarding the value perceptions students place on higher education in the post-COVID-19 world. UC may have to take additional steps to help students whose education is adversely impacted.

### **Employee Protection**

**Child Care Subsidies.** On April 4, 2020, the Governor issued an executive order that helps essential critical infrastructure workers, which includes health care workers and other UC critical employees, with child care services by allowing the California Department of Education and California Department of Social Services the flexibility to waive certain programmatic and administrative requirements. We are grateful for the Governor's executive order that will allow our critical employees to remain at work. Health care workers and other critical employees at UC are working long hours to ensure public safety and continuum of care. UC and the State, in partnership, providing this increased temporary benefit allows our critical infrastructure workers to have access to reliable child care.

**Job Protection.** Collectively all UC Chancellors and I announced on April 2, 2020, that there would be no COVID-19 related layoffs for all career employees through the fiscal year ending on June 30, 2020. We made this decision to give peace of mind to our employees providing critical services in the community. As the third largest employer in the State, UC's actions in keeping people employed will positively impact local economies and model similar actions for other employers. Continuing to pay employees when we are suffering tremendous losses of revenue is difficult, and requires assistance from the State, but we believe the economic well-being of our employees is critical.

**Administrative Leave for All Employees.** UC has expanded paid administrative leave to address the extraordinary demands placed on UC employees due to impacts related to COVID-19 on themselves and their family members. UC is making all employees eligible to receive a one-time allotment of up to 128 hours of paid administrative leave to be used no later than December 31, 2020, based on certain conditions. Employees are not required to use other paid leave, such as sick leave or vacation, in order to access paid administrative leave related to COVID-19. This decision will incur a cost for the University, but it is important because our employees are our key resource. As outlined above, UC has lost some of the revenue streams that previously paid for employee salaries, and now the University must find other resources to pay those employees.

**Employees on State Research Contracts.** Regarding employees paid through state-funded research, UC is concerned that it does not have the same authority as provided by the Federal government to continue paying our researchers from these contracts during this downtime. UC would be interested in exploring options to secure authority to cover COVID-19 related leave time from state-funded research contracts.

### **Health and Clinical Services**

While UC Health has provided exemplary leadership in health care delivery, this community service has come at an extraordinary expense. Our top priorities are our patients, healthcare workers, and the communities we serve. While we continue our commitment to partner with the State and the people of California, we are experiencing unprecedented financial losses because of this pandemic.

**Providing Care to COVID-19 Patients.** As the largest public research university in the world, UC is acting on several fronts to protect our students, faculty, researchers, and staff, and to treat patients at our academic health centers. UC Health hospitals are destinations for some of the most critically ill patients in the state and the second largest provider of Medi-Cal and Medicare services. All of UC Health's academic health centers have treated patients who have contracted or tested positive for the SARS-CoV-2 virus, with over 1,000 cared for to date.

**Lost Patient Revenue.** Consistent with federal and state public health guidance and some local directives in order to conserve personal protective equipment and prepare for the anticipated COVID-19 surge, UC has cancelled "elective" procedures at all our hospitals. While necessary to ensure the health and safety of our patients and communities, this action is leading to unprecedented revenue losses for our hospitals at a time when our expenses are growing. These losses amounted to approximately \$170 million in March alone, when we were still collecting February revenues – and we expect to experience much higher losses in the next few months. We are currently exploring options to reactivate some clinical services, with a focus on addressing urgent needs while protecting patient safety and avoiding COVID-19 transmission. However, this will require careful consideration and we do not anticipate large numbers of patients initially being treated. It is also likely that it will take considerable time to return to pre-crisis volumes.

We originally reported that direct costs of treating even a single inpatient suspected of or diagnosed with COVID-19 ranged from \$1 million to \$10 million in the early weeks of the crisis, as large investments in infrastructure were required to prepare our facilities to care for those with COVID-19. The cost per patient has decreased, but we are still experiencing far higher treatment costs than we would expect for patients of a similar level of acuity.

**Shortages and Supply Chain Disruption.** I appreciate the steps that State and federal government leaders have taken to help increase the inventory of critical supplies and equipment for patients and staff on the front lines. The University, too, has taken aggressive action to conserve, manufacture, and procure such resources. Despite these efforts utilization rates are in some cases exceeding 25 times normal levels, and the federal government has intercepted multiple shipments of personal protective equipment. We nevertheless are continuing to source and obtain needed supplies. We look forward to the State's continued efforts to assist UC Health with maintaining a stable supply chain and identifying additional funding to support the purchase of these vital resources.

**Laboratory Services.** During this time of growing demand for laboratory services, UC must hire additional temporary skilled individuals to ensure that diagnostic testing is available for those who need it. UC will look to the State to partner on the additional costs for hiring skilled laboratory workers which, combined with a temporary relaxation of the regulations governing personnel allowed to work in CLIA accredited laboratories, will allow UC to help the state surge its capacity for COVID-19 testing. One constraint on increasing our capacity is the ability to source swabs and other viral transport media. State support for a stable supply chain

to procure critical laboratory supplies would make a major difference in our ability to maximize our testing capacity.

**Testing.** The University is working diligently to partner with the State to significantly increase both the speed and frequency of testing for COVID-19 for Californians. We are proud to have renowned pathologists Dr. Steven Gonias (UC San Diego) and Dr. Nam Tran (UC Davis) serving on the Statewide Taskforce being co-chaired by Dr. Charity Dean (CDPH) and Paul Markovich from Blue Shield. Specifically, the Governor has asked these leaders to assist with the establishment of 5-7 COVID-19 testing hubs in various regions of the State, and for UC to activate research laboratory assets beyond the clinical enterprise to assist with this critical endeavor. We are working daily with the Taskforce to help them understand our evolving equipment or supplies needs.

**Healthcare Workforce.** As the largest academic health sciences program in the nation, we appreciate actions Governor Newsom has taken through recent Executive Orders that improve the State waiver processes pertaining to health profession licensing requirements. Thank you for the continued partnership with UC and other higher educational institutions in working closely and expeditiously to prioritize the needs of graduating students in the health sciences.

**UC Health Systems Are Public Hospitals and Safety Net Providers.** UC Health's capacity to serve as a safety net provider relies on maintaining a sound fiscal condition. Through the years, UC Health has been able to utilize combined revenues from commercial payers to offset expenses associated with providing care to the uninsured and those covered by public insurance programs. This system allows UC to operate public hospitals without receiving direct operating support from the State general fund. Keeping the UC academic health centers in a strong financial position during the pandemic will enable UC to continue to deliver our service as a safety net provider.

### **Research**

**Interruptions to and Lost Research.** The UC education and research enterprise relies on long-term, continuous staffing and stable State and federal financial support, which has become difficult to maintain with campus and field location closures that are expected to persist in the upcoming weeks and possibly months. Many research projects are experiencing setbacks as a result of laboratory closures and clinical trials that have been halted or curtailed. Graduate students are finding their studies impacted as well. The full costs and impacts of these halted projects may not be known for months or even years.

**Addressing Current and Future Health Threats.** Efforts to mitigate the COVID-19 pandemic are currently urgent and the work that clinician scientists undertake is essential. In addition, heart disease, sickle cell disease, cancer, diabetes, the opioid epidemic, behavioral health, cancer, HIV, and other acute and chronic illnesses, have not disappeared. Many research programs related to public health and disease management will be irreparably damaged by the disruption. Strategic planning now will limit the damage and prepare us to address future health threats, those known and yet unanticipated.

**Research for a Cure.** Additional research funding is needed now towards the development of a COVID-19 treatment, vaccine and, other measures to address the pandemic. New research funding should prioritize the development of antibody tests, prophylaxis, and treatments. UC is well positioned to contribute to such efforts and has already quickly mobilized considerable resources towards this goal. We have over 300 COVID-related research programs across the UC System. A number of our leading clinician scientists, including Dr. Carrie Byington, the Executive Vice President for UC Health and Dr. Dan Cooper, the leader of UC BRAID Clinical Trials infrastructure, are participating on the Governor's Therapeutics and Treatment Innovation Network to coordinate research efforts across the state. In short, UC is a preeminent institution with excellent faculty and sophisticated laboratories, as well as a firm commitment to public service. If the State can provide funding towards COVID-19 cure research, the University of California is ready to undertake that mission.

### **Campus and Community**

**Agriculture and Natural Resources.** The UC Division of Agriculture and Natural Resources (UC ANR) assists California farmers with significant economic issues, from water conservation to pest management to marketing of crops. Agricultural workers are considered "essential" and are allowed to tend crops and care for livestock. UC ANR is providing information to California's farmers and ranchers on how to maintain health and safety for workers and to move food to consumers during the pandemic. UC ANR advisors are providing virtual consultations to farmers, land managers, local communities and disadvantaged groups, connecting them with resources to get loans, food and answers to questions. In addition, UC ANR has adapted its 4-H programming, geared at K-12, for home schooling children online as well as expanded virtual offerings from Master Gardener and other programs. As UC ANR continues to serve critical needs of the state, it is losing revenue from multiple sources, such as from cancelled conferences and educational programming.

**Athletics and Entertainment.** UC campuses provide a venue for artistic performances, museum exhibitions, and athletic events. All of these have been cancelled in accordance with the Governor's executive order to promote social distancing and limit community transmission of the virus. Cancelling these events results in lost revenue for the campuses, which normally subsidize student artistic and athletic endeavors through these revenue streams.


UC holds as its highest priority the health, safety and wellbeing of its students, faculty, patients, clinicians, and employees, and we are pleased to be in partnership with the State to support our communities. As the Governor and the Legislature distribute emergency funding to local governments and State agencies, I am asking you to remember the important function of the University of California in addressing this crisis as a partner with the State.

If you would like to discuss any aspect of the University's response to this unfolding pandemic, please contact me, Executive Vice President of UC Health Dr. Carrie Byington, or Interim Executive Vice President and CFO Paul Jenny.



Governor Newsom, Pro Tem Atkins, and Speaker Rendon  
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Yours very truly,



Janet Napolitano  
President

cc: The Honorable Holly Mitchell, Chair, Senate Budget and Fiscal Review Committee  
The Honorable Phil Ting, Chair, Assembly Budget Committee  
The Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee  
The Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee  
The Honorable Anthony J. Portantino, Chair, Senate Appropriations Committee  
The Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee  
The Honorable Patricia C. Bates, Vice Chair, Senate Appropriations Committee  
The Honorable Frank Bigelow, Vice Chair, Assembly Appropriations Committee  
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