

## University of California COVID-19 Request Highlights and Update on Expenditures and Lost Revenues (September 2020)

### COVID-19 COSTS EXCEED \$2.1 BILLION FOR THE UNIVERSITY

As the world's largest public research university system, UC is responding to the COVID-19 pandemic on multiple fronts. Our health care system is working to save lives and our research enterprise is seeking cures and a vaccine. We are working hard to minimize the impact of the economic downturn on our workforce, and our campuses are providing remote instruction for students and preparing for a safe repopulation.

**UC has experienced more than \$2.1 billion in expenditures and loss revenue through Aug. 31, 2020.** And because California's economy has taken a big hit, the UC system could see additional – and substantial – losses. Our campuses have experienced more than \$1.05 billion in costs and our academic health centers have costs exceeding \$1.11 billion.

The University is aggressively pursuing federal funds to help alleviate some of these cost pressures. As of Aug. 31, 2020, the federal CARES Act had provided a total of \$779.6 million for UC, including \$137.4 million for campuses, \$130 million for student financial aid and \$512.2 million for UC Health.

**UC previously shared with Congress our full education, research and health care-related priorities for consideration in the next supplemental appropriations package. As the House and Senate work on a COVID-19 supplemental appropriations package, we respectfully call your attention to the key priorities outlined below:**

- **Strong support for states.** It is imperative that the federal government financially assist states so that they can continue to recover from the pandemic, provide basic services to residents and prevent downstream cuts to public higher education and other critical state government supported services.
- **Additional \$47 billion for the Higher Education Emergency Relief Fund (HEERF).** This additional funding to HEERF would ensure relief is distributed in a manner that allows for maximum flexibility in use of funds while maintaining reasonable and effective transparency/accountability measures for institutions. We urge Congress to maintain the formula using full time equivalency as established in the CARES Act rather than the newly proposed formula that uses headcount as included in both versions of the HEROES Act. This formula change would lead to a significant shift in resources away from the UC campuses and their students.
- **\$26 billion in emergency supplemental funding to mitigate the impact of COVID-19-related disruptions on federally funded research.** As authorized in the bipartisan Research Investment to Spark the Economy (RISE) Act, UC strongly supports inclusion of \$26 billion for all science agencies to provide researchers financial support to complete their original awards that were suspended or significantly delayed due to the pandemic.
- **Access to low-cost capital.** Access to affordable capital is a necessary lifeline for institutions, and the communities they serve, if they are to return to normal operations.

- **Paid Sick and Family and Medical Leave Act (FMLA) leave.** Legislation should provide governmental entities, including public universities, with the ability to receive payroll tax credits for certain sick leave and family leave benefits as were made available to other types of employers under H.R. 6201, the Families First Coronavirus Response Act.
- **Additional Provider Relief for Hospitals.** Congress has appropriated \$175 billion in health care provider relief through the Public Health and Social Services Emergency Fund established in the CARES Act to help numerous types of healthcare providers combat the catastrophic financial losses of the COVID-19 pandemic. To date, a little over one-third of this funding has been directed to hospitals. A report commissioned by the American Hospital Association finds United States hospitals will lose a minimum of \$323 billion in revenue between March-September 2020; this figure does not account for additional expenses hospitals have incurred preparing for a surge of COVID-19 positive patients, including purchasing personal protective equipment and hiring additional clinical staff.
- **Expanded Affordable Health Care Coverage Options.** Help working Americans preserve their employer-sponsored insurance coverage by providing federal subsidies to pay COBRA premiums and creating special enrollment periods for state health exchanges and Medicare Advantage.
- **Sustained and Enhanced Medicaid Investment.** Legislation should preserve and enhance existing Medicaid financing, as the economic downturn triggered by the pandemic has already increased by 9 percent, or 1.1 million persons, California residents eligible to enroll in the State's Medicaid program, Medi-Cal. Congress must enhance further the Medicaid program's Federal Medical Assistance Percentage (FMAP) for the duration of the public health emergency.

**Below is the most up-to-date summary of the financial impact COVID-19 has had on UC. The total impact on the University is a combination of outlays of funding to combat the virus and revenues lost because of curtailed operations.**

### UC COSTS FOR COVID-19 RESPONSE

- \$2.16 billion in expenditures and lost revenue through Aug. 31, 2020
  - \$1.05 billion in costs to campuses
  - \$1.11 billion in costs to UC Academic Health Centers
- Costs reflect the cumulative expenditures and lost revenues
- Costs are likely to continue to accrue as long as new COVID-19 cases are identified and the state's business activity is hindered
- Cost growth picked up again in August, with \$259.5 million in new costs for the month
- Lost revenues are the majority of the costs incurred by the University

### DIRECT EXPENDITURES

- \$341 million in direct expenditures due to COVID-19 through Aug. 31, 2020
  - \$126.1 million in direct expenditures for campuses
  - \$214.8 million in direct expenditures for UC Academic Health Centers
- This includes expenditures directly related to the COVID-19 response, such as:
  - Additional cleaning and facilities costs – To ensure the virus does not spread, hospitals and health clinics must have additional cleaning. In addition, campuses housed students returning from abroad who had to be placed in quarantine.
  - Emergency medical services – UC Health is treating COVID-19-positive patients and campus student health centers are staying open to provide services, including providing medically necessary COVID-19 testing for students.
  - Providing remote instruction and remote work – Campuses have transitioned to remote instruction, which creates additional expenditures in online meeting

providers, IT security and other technology. Both campuses and UC Health have staff who are working remotely and need additional equipment and support.

## LOST REVENUES

- Over \$1.8 billion in lost revenues due to COVID-19 through Aug. 31, 2020
  - \$926.2 million in lost revenues to campuses
  - \$739 million to the general campus operations
  - \$187.2 million to medical education and campus clinical operations
  - \$895 million in lost revenues to UC Academic Health Centers
- UC defines lost revenue as the revenue UC would have collected if there were no COVID-19-caused State of Emergency declaration or the “stay-at-home” order.
- Lost revenue includes items such as:
  - Housing and dining – During the spring term campuses provided prorated refunds to students for their housing and dining contracts if they wished to leave campus. In addition, summer dormitory use has been limited. As of Aug. 31, 2020, campuses had lost over \$387.7 million for cancelled housing and dining contracts.
  - Elective medical operations and patient visits – Informed by guidance issued by the California Department of Public Health, UC’s five academic health centers have safely returned the volume of essential services to near the pre-pandemic levels. UC Health cancelled such visits completely for the months of March and April, which led to significant lost revenues. Resuming most essential health care services has dramatically reduced the revenue losses, though it has not halted them completely.
  - Cancelled programs – UC has cancelled academic programs and conferences, including study abroad programs, UC in Washington, D.C. (UCDC) program, in-person summer session, etc. These cancelled programs have led to over \$120.5 million in lost revenues for the campuses.
  - Events – Campuses have cancelled athletic events and closed museums, musical venues and bookstores. These cancellations have amounted to over \$150.6 million in lost revenues for the campuses.