



City and County of San Francisco
Daniel L. Lurie
Mayor

San Francisco Department of Public Health

Daniel Tsai
Director of Health

MEMO

DATE: Friday, January 16, 2026

TO: SFDPH Contracted Community Based Organizations (CBOs)

RE: Planned FY 2026–27 CBO Budget Reductions

The City's FY 2026-27 budget, as approved by the Board of Supervisors and signed by the Mayor in July 2025, included a \$17 million reduction in expenditures for Community Based Organizations (CBOs) contracted with the San Francisco Department of Public Health (SFDPH). Over the past several months, SFDPH has held public stakeholder meetings with contracted Community Based Organizations (CBOs) to collaboratively discuss how best to achieve \$17 million in budget reductions for the FY 2026-27 budget. This memo outlines how SFDPH plans to achieve \$17 million in contract reductions. SFDPH is accepting written comments on these reductions through February 4, 2026.

While the planned CBO budget reductions represent difficult decisions that will impact programs and operations across SFDPH, they protect and do not cut direct clinical and health services provided to clients and patients by either SFDPH or CBOs. Instead, the reductions focus primarily on contracts that provide infrastructure and capacity building, workforce development, or consulting services for SFDPH or CBO staff, as well as certain vocational training programs. This approach was designed to minimize impacts on patient care while achieving the required savings target.

Overall City and SFPDH Budget Context

San Francisco is facing a significant structural deficit, driven by costs rising faster than revenues and compounded by reductions in state and federal funding, including Medi-Cal.

Although SFDPH's overall budget has grown by an average of 5.4% annually and has outpaced the City's General Fund growth, much of that increase has come from Medi-Cal and other restricted funding sources. At the same time, CBO funding in aggregate has grown faster than inflation as the City expanded investments in community-based care¹. From FY 2019-20 to FY 2026-27, SFDPH's contracted budget grew at an annualized rate of

¹ We recognize in recent years annual cost of doing business (CODB) increases have not kept pace with inflation, putting additional pressure on CBOs

6.3%, from \$614 million to \$942 million. These investments strengthened the system, but they also mean that in a deficit environment, spending reductions are unavoidable.

SFDPH Budget Growth Since FY2019-20 Compared with General Fund Growth²

	FY 19-20	FY 26-27	Annual Growth Rate
Total SFDPH Budget	\$2.4 B	\$3.5 B	~5.4%
SFDPH Contract Budget	\$614 M	\$942 M	~6.3%
Share of DPH Budget funded by local revenue (GF + Prop C + Opioid)	\$758 M	\$1,008 M	~4.2%
Citywide General Fund Growth	\$3.9 B	\$4.9 B	~3.3%

Context for the \$17 Million in CBO Budget Reductions

As part of last year’s two-year City budget (FY 2025-26 and FY 2026-27), the Mayor and Board of Supervisors approved \$17 million in reductions to CBO contracts beginning in FY 2026–27. This reduction was needed to balance the City’s projected deficit at the time as part of an overall budget package for SFDPH that included \$572 million in revenue growth, \$102 million in expenditure reductions, and the reduction of 219 full-time equivalent (FTE) SFDPH positions with no layoffs.

The \$17 million in reductions were placed in the second year of the budget to allow time for engagement. Even with these \$17 million in reductions, SFDPH CBO spending is still growing from FY 2025-26 to FY 2026-27 by 4%, from \$903 million to \$942 million. Without these \$17 million in reductions, CBO spending would have grown 6%.

We recognize these reductions may be painful and disruptive, with impacts on CBOs, staff, and the communities we serve. Throughout this process, we prioritized protecting clinical services, preserving system capacity, and advancing equity as we make difficult choices. We also recognize CBOs have faced Cost of Doing Business (CODB) increases in this budget cycle that are lower than current rates of inflation.

The recent, significant deficit projections from the Mayor’s Office in December 2025 assume these savings are in place. Any additional savings that SFDPH is required to develop for this upcoming budget cycle will be in addition to the \$17 million in reductions.

² Contract Budget includes CBO spending of around \$640 million and the UCSF affiliation agreement around \$310 million for FY 2026-27. This figure assumes the \$17 million reduction already.

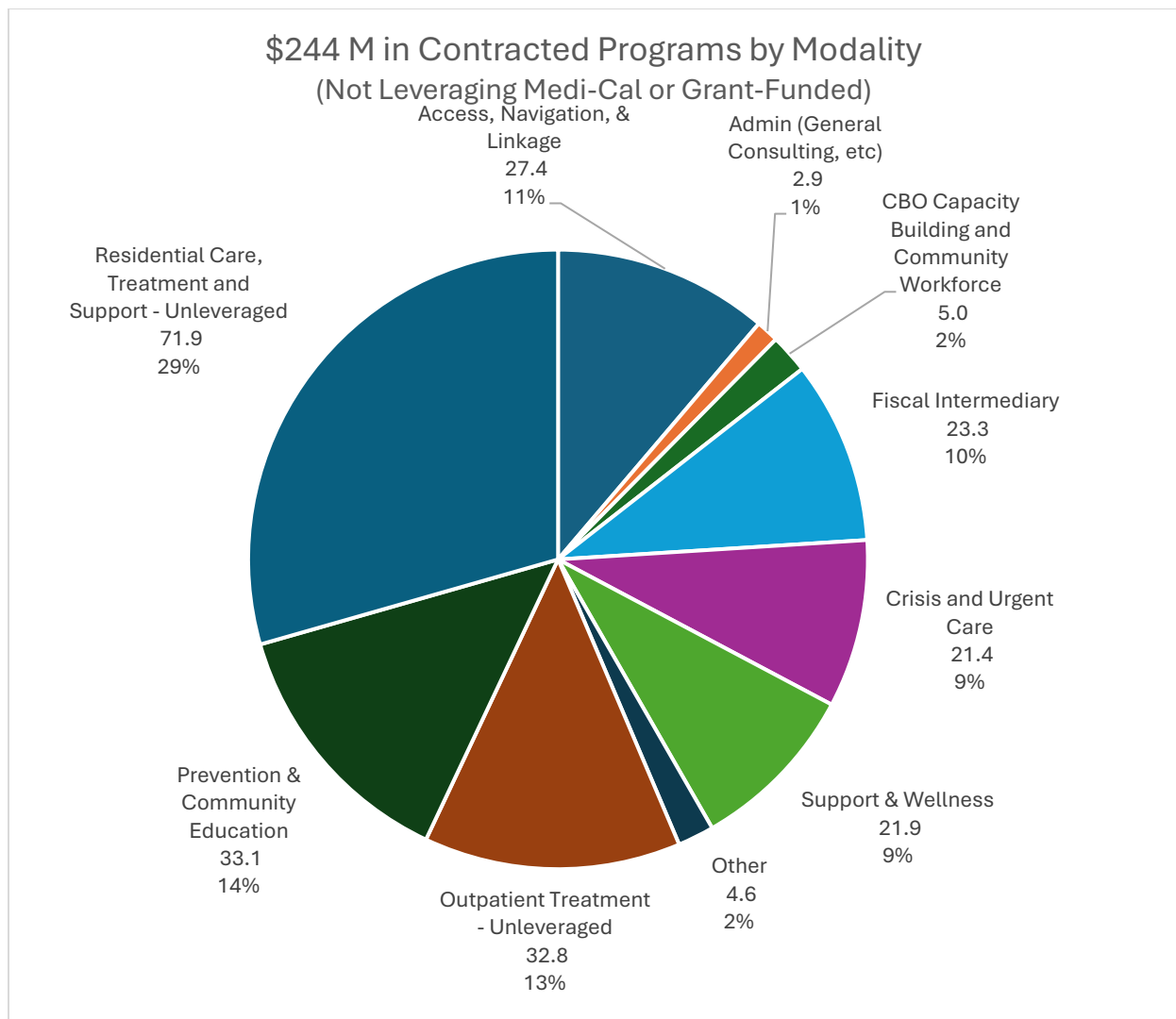
How the Planned Reductions Were Developed

As context, SFDPH's \$900 million in annual CBO contracted services include:

- ~\$360 million for services that are Medi-Cal covered and reimbursed. Generally, because SFDPH is the county Behavioral Health plan, SFDPH is required by law to ensure patients and clients maintain access to these services. This includes contracts to provide residential treatment and outpatient, specialty mental health services. The majority of this spending leverages state and federal Medi-Cal revenue. These programs were excluded from the review but are subject to other reductions as part of the shift of outpatient behavioral health rates to the State's Medi-Cal fee schedule.
- ~\$240 million in CBO contracts that are not Medi-Cal reimbursed and span more than 300 programs. These contracts range from prevention and outreach to wraparound supports for patients to capacity building and workforce training programs to improve quality of services at our clinics and hospitals.
- ~\$300 million for the affiliation agreement with the University of California – San Francisco (UCSF), which provides clinicians on the campus of Zuckerberg San Francisco General Hospital and other clinical services for SFPDH.

SFDPH conducted a thorough review of the more than 300 contracted CBO programs totaling approximately \$240 million in annual funding, and SFDPH and UCSF leadership reviewed savings opportunities within the UC Affiliation Agreement. The \$17 million reduction represents around 3% of that portfolio.

The chart below outlines the types of programs and spending within the approximately \$240 million in CBO contracts that are generally not Medi-Cal reimbursable.



Programs were assessed using seven core criteria:

- Strategic alignment with SFDPH priorities
- Programmatic connection
- Equity and reach
- Cost efficiency
- Revenue potential, including Medi-Cal
- Performance and accountability
- Population health outcomes

These criteria were used as a framework for review, not as a quantitative scorecard.

Programs vary widely in size, populations served, funding structure, and data availability, and numeric scoring might miss equity and system-wide impacts. We reviewed programs holistically, weighing cumulative effects and tradeoffs while additionally seeking

opportunities to preserve services through partnerships, alternative funding, and scaled delivery.

This process resulted in the list of planned reductions outlined below.

Overview of Planned Reductions:

Criteria/principles for \$17M in CBO reductions

In identifying reductions, we sought to avoid cuts to direct health and clinical services. This instead means cuts to CBO and SFDPH staff capacity building/training funding, as well as vocational and other reductions to realign to funding changes. The programs planned for reduction provide important functions, including for CBO and SFDPH staff. They enable CBO and SFDPH staff to better perform our work and serve patients and clients. There are no easy reductions to meet budget.

\$17M in planned reductions

CBO and SFDPH Staff Capacity Building, Training, Workforce Development, and Consulting Services: \$6M Eliminate funding for CBO and SFDPH training/workforce development, capacity building and consulting services that are not required by regulation.

Vocational Programs: \$1.3M Reduce vocational employment programs for clients who are recovering from mental health and substance use issues and often work at SFDPH sites. SFDPH will partner with Richmond Area Multi-Services, Inc (RAMS) and UCSF to find the best approach to savings across these portfolios.

UCSF: \$5.8M Reductions to the Affiliation Agreement with UCSF by maximizing revenues and generating administrative efficiencies and bringing a pediatrics program in-house to be done with SFDPH staff.³

Other Reductions: \$3.9M Reductions across a variety of services reflecting funding updates and updated service requirements.

³ This represents less than 2% of the overall funding agreements between UCSF and SFDPH.

List of Program Reductions

<u>Vendor</u>	<u>Program</u>	<u>Amount</u>	<u>Total</u>	<u>% of</u>
			<u>contracts</u>	
			<u>with</u>	<u>total</u>
			<u>DPH(\$M)</u>	
UCSF		5,841,343	375.0	2%
UCSF	Affiliation Agreement - Maximize revenue, other administrative efficiencies	5,000,000		
UCSF	Transition Pilot Project from UCSF in Primary Care to Existing DPH Staff	750,000		
UCSF	UCSF Clinician Services (0.2 FTE, no direct service)	91,343		
Internal / CBO Training, Capacity & Consulting		6,039,989		
<i>Training and DPH Internal Staff Augmentation / Workforce Development / Capacity Building</i>				
HealthRIGHT 360	Fiscal Intermediary for Capacity Building & Workforce Development	1,247,719	22.8*	5%
Crossing Edge Consulting, Inc.	Workforce Development / Training (community- based / behavioral staff)	374,379	N/A	
San Francisco Study Center	Workforce Development (peer training, BHS equity trainings/initiative)	1,326,757	4.9	27%
HealthRIGHT 360	Internal support for DPH billing and quality work	661,098	22.8	3%
Hatchuel Tabernik and Associates (HTA)	Consulting and staff augmentation for DPH staff	595,000	N/A	
Robert Whirry	Grant writing support	100,000	N/A	
CalMHSA	Program Planning, Evaluation & Implementation	50,500	N/A	
<i>Training and Workforce Support for CBOs</i>				
San Francisco AIDS Foundation	Capacity Building & Workforce Development	805,923	16.0	5%
San Francisco Community Health Center	Capacity Building & Workforce Development	219,140	6.3	3%
NICOS Chinese Health Coalition	Capacity Building & Workforce Development	200,542	0.5	37%
Edgewood Center for Children and Families	Capacity Building & Workforce Development	158,814	9.8	2%
San Francisco Public Health Foundation	Harm Reduction Training Institute	172,000	1.2	14%
Lyon Martin	Workforce Development	128,117	1.9	7%
Vocational supports		1,334,405		
Richmond Area Multi-Services, Inc.	Vocational and Peer Programs (from across ~\$20 M)	1,000,000	40.1	2%
UCSF	Vocational Programs (from across \$1.5 M)	334,405	375.0	0%
Other		3,874,060		
Central City Hospitality House	Realign to non-General Fund source (BHSA)	2,000,000		
Mental Health Association SF	Program Already Ending	780,417	1.9	41%
Felton Institute	Program Already Ending	512,000	20.5	3%
Curry Senior Center	Reduce General Fund to align with New Medi-Cal Revenue	365,885	3.4	11%
Livable City	Sunday Streets	215,758	0.2	100%
Grand Total		17,089,797		

* \$22.8M is the total for HealthRIGHT 360 Fiscal Intermediary services

Program Reduction Details

- UCSF Programs:** Savings are primarily from increasing Medi-Cal and Medicare reimbursement for clinician services. Administrative efficiencies may also be required. SFPDH will partner with UCSF to achieve these savings. Additional reductions include the Healthy Steps program which will continue but be performed with existing SFPDH civil service staff and eliminating 0.2 FTE in non direct-patient care funding SFPDH provides for a UCSF faculty member.
- Internal / CBO Training, Capacity Building & Consulting**

Training and SFPDH Internal Staff Augmentation / Workforce Development / Capacity Building

- HealthRIGHT 360 Fiscal Intermediary: \$1.2M in savings from reducing various internal training, staff support, and staff capacity building activities supported through a \$22.8 M contract with HealthRIGHT 360 performing as a fiscal intermediary. (This is separate from contracts with HealthRIGHT 360 for clinical services and treatment).
- Crossing Edge Consulting: \$374K reduction from ending two training programs. Ends the Support and Skills Training program to provide training and support to two cohorts a year of ten SFDPH clinicians. Also ends the Community Mental Health Academy program for educating and training SFDPH community-based workers (e.g. paraprofessionals, outreach workers) on behavioral health management skills and increasing professional competencies in the field of mental health.
- San Francisco Study Center: \$1.3M reduction from two services: Behavioral Health Services health equity workforce development (\$1.1M) and a peer outreach program supporting patient and clients in clinics through mental health education presentations primarily at faith centers. The value of all contracts held by SFDPH with the San Francisco Study Center is approximately \$4.7M annually.
- There is an additional \$1.4M in reductions to programs with HealthRIGHT 360, Hatchuel Tabernik and Associates (HTA), Robert Whirry, and CalMHSA supporting assorted internal program development, staffing support, and consulting engagements at SFDPH.

Training and Workforce Support for CBOs

- San Francisco AIDS Foundation (SFAF): Funding reductions include \$419K in cuts to funding providing fiscal and operational support for the Rafiki Coalition for Health and Wellness (this does not impact the \$2.6M in ongoing support to Rafiki Coalition or the \$2.4M in ongoing support to SFAF for the Health Access Points they respectively lead). Rafiki utilized this support while its finance team was in transition and is now fully staffed. Additionally, \$376K in reductions to the Clinical Assistance Program are planned. This program supports a workforce development pipeline for health access points with ongoing professional development, paid internship opportunities, and a trained applicant pool.

- San Francisco Community Health Center: Programs identified for reductions include \$139K, or 50%, for supporting the San Francisco Transgender Alliance for Health Resources Capacity Building Assistance (STHR-CBA) to oversee and manage a coalition of transgender/gender-diverse providers and advocates and sharing best practices and community knowledge. The remainder is a reduction to a program supporting 0.4 FTE of a trainer for developing cultural humility trainings for City staff.
- NICOS Chinese Health Coalition: \$200K reduction to funding to train other community-based organizations in utilizing the framework of the OMH National Standards for Culturally and Linguistically Appropriate Services (CLAS). Additional funding to prevent or reduce the negative effects of problem gambling in the Chinese community is preserved.
- Edgewood Center for Children and Families: \$159K reduction to technical assistance and training support to the Innovator and Early Adopter CBOs and early adopter public sector agencies implementing the Trauma-Informed Systems (TIS) organizational change model.
- San Francisco Public Health Foundation: \$172K reduction to the Harm Reduction Training Institute to support staff, providers, and community programs in integrating harm reduction principles into their services.
- Lyon Martin: \$128K reduction to administer a fellowship program for two paid and four volunteer part-time trainees in a workforce development pipeline for culturally congruent healthcare services for QTI (queer/trans/intersex) and BIPOC (black, indigenous, and people of color) clients. Reduction listed is 7% of the overall Lyon Martin contract.
- **Vocational:** Reductions of \$1M and \$0.3M to vocational programs with Richmond Area Multi-Services, Inc (RAMS) and UCSF, respectively. SFDPH has over \$20M of contracts with RAMS for peer and vocational programs and \$1.5M of contracts with UCSF for vocational programs. These services provide supported, subsidized employment programs for clients recovering from mental health and substance use issues and often work at SFDPH sites. SFDPH will partner with Richmond Area Multi-Services, Inc (RAMS) and UCSF to find the best approach to savings across these portfolios.

- **Other:**

- Central City Hospitality House: SFDPH provides Central City Hospitality House \$3.8M in programs supporting drop-in behavioral health services in the Tenderloin and on Sixth Street. The \$2M in savings includes no service reductions but shifts funding from General Fund to Behavioral Health Services Act (BHSA) funding, in alignment with Housing Services requirements withing BHSA.
- Programs Already Ending: \$1.3M in savings from Mental Health Association of San Francisco and Felton Institute programs with expiring contracts.
- Curry Senior Center (CSC): \$366K in savings from the CSC contract, or approximately 10% of total SFDPH funding for CSC. This reduction is intended to be offset by new revenue opportunities for CSC as they are now a contracted Medi-Cal provider with the San Francisco Health Plan (SFHP).
- Livable Cities: \$216K savings from funding for the Sunday Streets program.

How to Provide Feedback

We will hold public meetings for community members and impacted organizations to provide input:

- CBO Meetings
 - January 20, 2026
 - January 22, 2026
- Health Commission Public Meeting
 - February 2, 2026

At these meetings, the planned reductions will be presented. We are committed to listening carefully and respectfully to feedback. SFDPH will also accept written feedback via email, dphbudgetideas@sfdph.org, through end of day on February 4, 2026.

After the feedback period, SFDPH will review all comments received, assess impacts to services, equity, and system capacity. The final list of reductions will be posted in mid-February or no later than early March.

Looking Ahead

As we know, the City's fiscal outlook, combined with state and federal funding changes, means another challenging budget year is expected. Additional reductions beyond this \$17 million may be required in this year's budget balancing.

These decisions are not a reflection of the value of our CBO partners. You are essential to San Francisco's public health system, and we remain dedicated to working with you through this process with transparency and care.

Thank you for your partnership and for the work you do for San Franciscans every day.