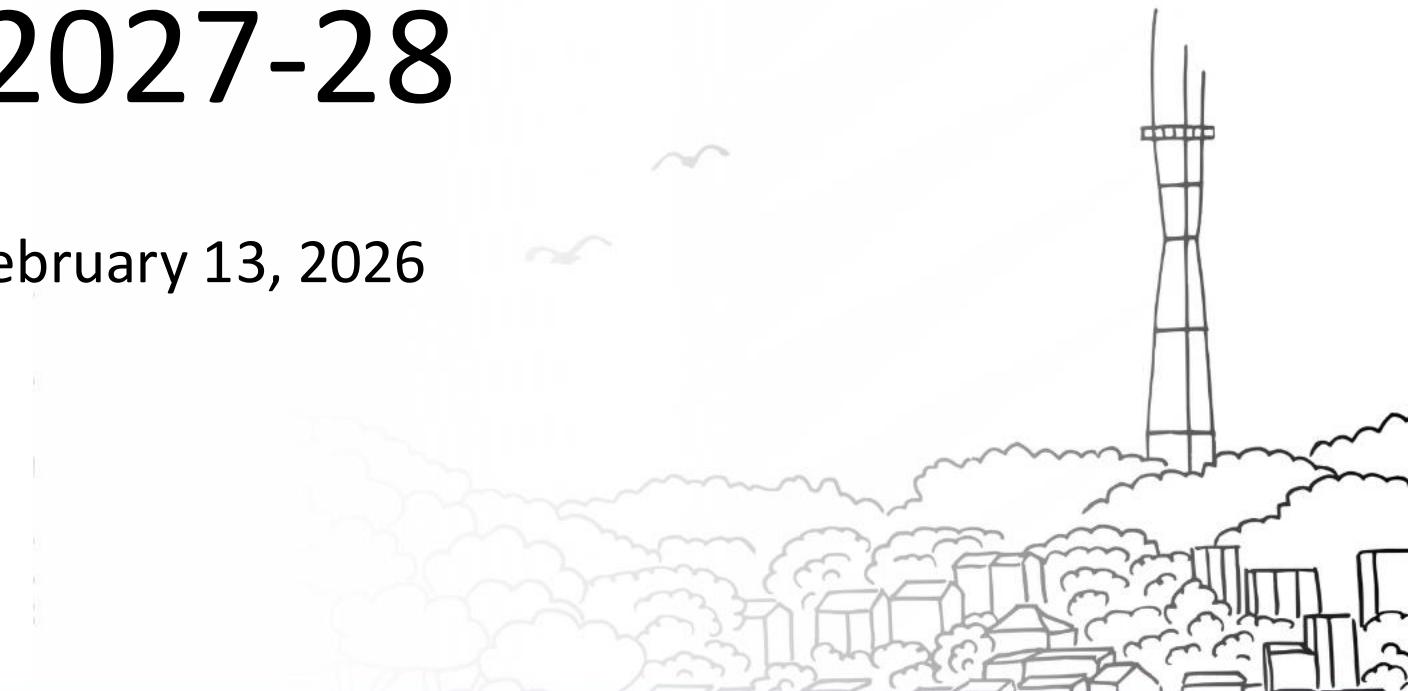




DEPARTMENT OF
HOMELESSNESS AND
SUPPORTIVE HOUSING

HSH Proposed Budget FY2026-27 and FY2027-28

Homelessness Oversight Commission – February 13, 2026





DEPARTMENT OF
HOMELESSNESS AND
SUPPORTIVE HOUSING

Overview of FY2026-2028 HSH Proposed Budget

- HSH Budget Development Process
- Budget Risks and Uncertainty
- Funding to Support *Home by the Bay* Strategies

FY26-28 HSH Budget Development Process

- January 15th Homelessness Oversight Commission Presentation
 - Review of HSH's FY25-27 Budget
 - Two-Year Citywide Budget Projections and Mayor's Budget Instructions
- Stakeholder Input Sessions on HSH Budget Priorities
 - Meetings with Providers: February 10 and February 12
- February 13th Homelessness Oversight Commission Presentation
 - Overview of Department's Proposed Two-Year Budget
 - Changes in FY26 & FY27 Budget
- February 21st HSH submits its proposed two-year budget to Mayor

FY26-28 HSH Budget Development Process

- Proposed budget prioritizes core services aligned with the Mayor's priorities and the City's *Home by the Bay* strategic plan
- Leverages Additional Revenue to expand service options
 - State revenue to expand sites with substance use treatment programs and transitional rent support, a partnership with Department of Public Health and Managed Care Plans to provide treatment and shelter to adults with opioid use disorders
- Continues funding for shelter and housing projects started in prior years
- Identifies expenditure savings and reductions in CBO contracts to create savings in order to fund program cost increases for rent, insurance, and other fixed costs and ensure existing shelter sites remain open
- Excludes anticipated state grant funding proposed in Governor's budget or additional state competitive grants to address encampments

FY26-28 HSH Budget Risks and Uncertainty

- HSH received a \$10 million General Fund reduction target from Mayor's Office on Feb. 3rd. HSH's proposal to Commission does not yet incorporate cuts to meet target
- CBO costs to support existing services levels continue to outpace HSH's ongoing budget level
- Wind down of state funds create future funding gap to continue current level of emergency shelter capacity and HRS access points starting in 2028-2029
- Governor's budget proposes a 7th round of Homeless Housing, Assistance and Prevention (HHAP) grant funding but at a reduced level. Proposal earmarks \$500 million statewide, a 50% reduction of previous state allocations. Updated information expected in May. SF allocation not yet known
- Unknown impact of changing federal government's funding priorities and executive orders. Congress now requires HUD's June release of 2026 Continuum of Care grant notice of funding opportunity (NOFO) to allocate at least 60% of Coc funds to Tier 1 projects to support permanent supportive housing and rapid rehousing, a reduction from 90% allocated to existing housing slots

Investments Supporting *Home by the Bay* Plan

SYSTEM EXPANSION TARGETS JULY 2023 THROUGH JUNE 2028	RESULTS JULY 2023 THROUGH JUNE 2025
 Shelter Beds Add 1,075 new shelter beds*	615 new shelter beds added to homelessness response system
 Permanent Housing Add 3,250 new units of permanent housing in the homelessness response system, including site-based and scattered-site permanent supportive housing, rapid re-housing, and shallow subsidies	935 new units of permanent housing added to homelessness response system
 Prevention Services Expand prevention services to serve 4,300 additional households	Capacity to provide prevention services to an additional 1,533 households added to homelessness response system

- Continues year 2 of interim housing/shelter funding for the Mayor's Breaking the Cycle initiative (\$30 million)
- Maintains housing investments including shallow subsidies and rapid rehousing and funds Permanent Supportive Housing support services for 291 units, opening as part of the MOHCD housing pipeline
- Continues year 2 of prevention investments including \$6.7M for prevention services for youth and families

Program Performance Highlights

- As a part of the budget process, departments were asked to complete a *Program Inventory, Performance Metrics and Savings Pathways Worksheet* to help MBO identify Core and Non-Core Services, as well as potential savings within the department
- The document required HSH to describe the programmatic purpose of all service models; identify the FY26-28 budget and FTE allocations; describe revenue support for programming; detail all existing performance metrics; and detail any potential savings pathways for the City
- HSH completed this exercise with all major programs and administrative functions determined to be "Operational Backbone" or an essential function the Department must continue
- Several HSH-funded services were identified as overlapping with work of other City departments, including CBO contracts for street ambassadors, shallow housing subsidies, and family behavioral health services
- HSH is awaiting further instructions from the Mayor's Office and information on how this work will be incorporated into the final budget



DEPARTMENT OF
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Proposed Budget Overview

- Summary of Departmental Proposed Budget
- Capital Planning Committee Budget Requests
- Summary of Our City, Our Home Fund Proposed Budget
- Position Summary
- Budget Process Timeline

Overview: HSH's Proposed FY26-28 Budget

\$ in millions	FY25-26 Adopted	FY26-27 Dept Request	\$ Change from FY25-26	% Change from FY25-26	FY27-28 Dept Request	\$ Change from FY26-27	% Change from FY26-27
Total Budget	\$785.6	\$728.0	(\$57.6)	(7.3%)	\$709.6	(\$18.4)	(2.5%)
<i>Revenue</i>	<i>\$508.6</i>	<i>\$460.1</i>	<i>(\$48.5)</i>	<i>(9.5%)</i>	<i>\$423.6</i>	<i>(\$36.5)</i>	<i>(7.9%)</i>
<i>General Fund</i>	<i>\$277.0</i>	<i>\$267.9</i>	<i>(\$9.1)</i>	<i>(3.3%)</i>	<i>\$286.0</i>	<i>\$18.1</i>	<i>6.8%</i>
<i>Total Budget with \$10m Reduction</i>	<i>\$785.6</i>	<i>\$718.0</i>	<i>(\$67.6)</i>	<i>(8.6%)</i>	<i>\$699.6</i>	<i>(\$18.4)</i>	<i>(2.6%)</i>

*Proposed Budget as of 2/6/26 and not reflective of final balancing
Totals may not sum due to rounding*

Proposed: FY26-28 HSH Budget

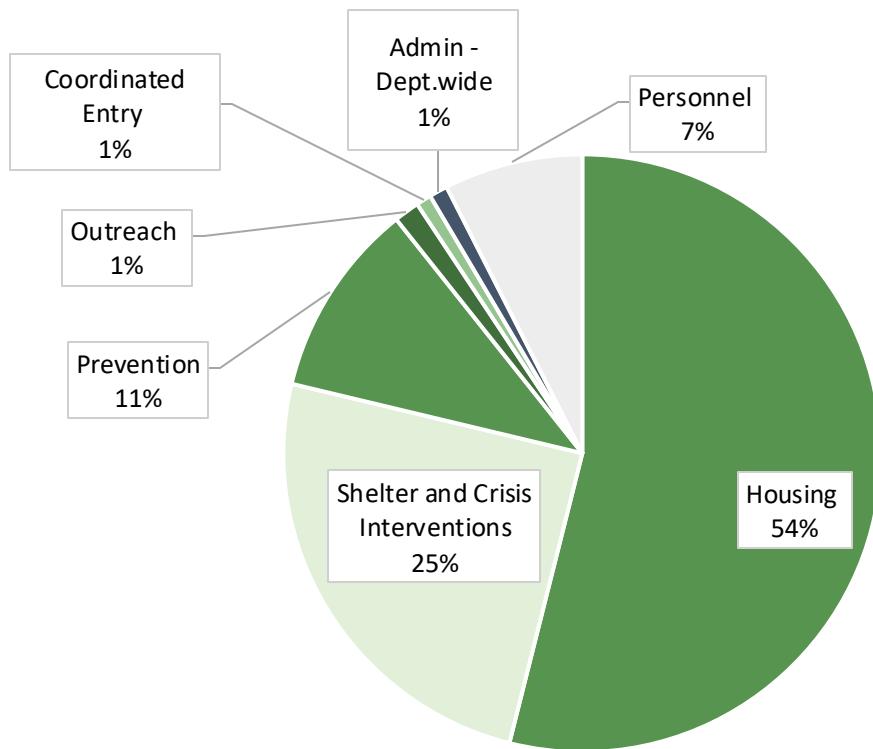
\$ in millions	FY25-26 Adopted	FY26-27 Dept Request	\$ Change from FY25-26	FY27-28 Dept Request	\$ Change from FY26-27
Grants	\$574.8	\$553.3	(\$21.5)	\$575.9	\$22.6
Programmatic Projects	\$109.8	\$56.2	(\$53.6)	\$9.8	(\$46.4)
Salaries and Benefits	\$49.2	\$51.8	\$2.6	\$55.9	\$4.1
Professional Services	\$33.0*	\$47.3	\$14.3	\$48.7	\$1.4
Interdepartmental Services	\$18.6	\$19.2	\$0.6	\$19.2	0
Materials and Supplies	\$0.2	\$0.2	0	\$0.2	0
TOTAL	\$785.6	\$728.0	(\$57.6)	\$709.6	(\$18.4)

Proposed Budget as of 2/6/26 and not reflective of final balancing. Totals may not sum due to rounding.

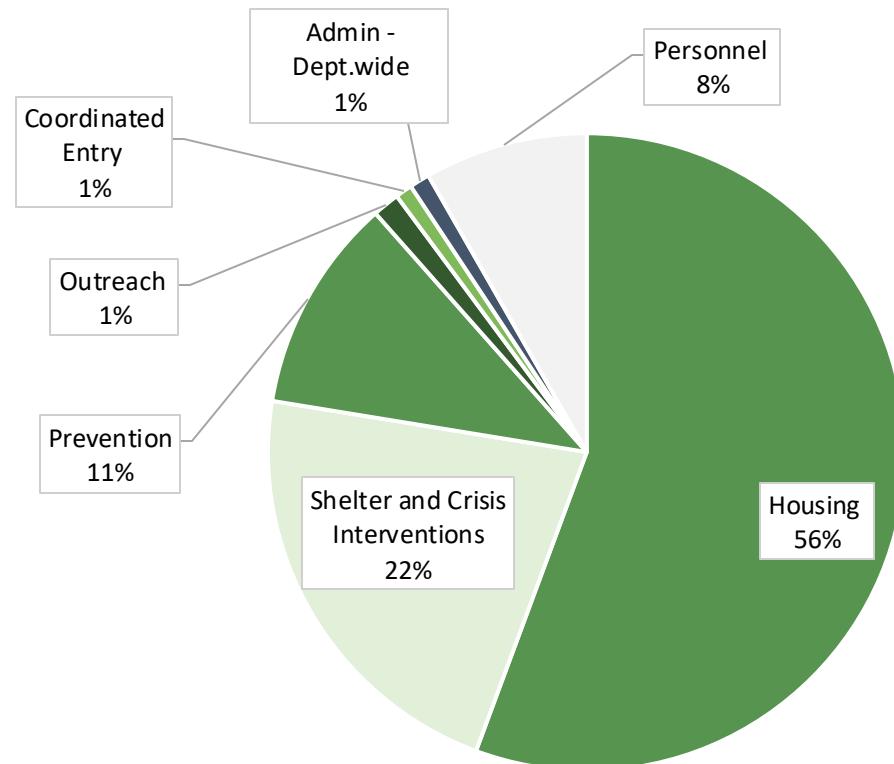
** Included \$1 million in capital funds for shelter repairs*

Proposed: FY26-28 HSH Program Budget

FY26-27 Budget by Service Area



FY27-28 Budget by Service Area



Proposed Budget as of 2/6/26 and not reflective of final balancing

Changes in HSH Sources

Sources	Adopted Budget	Proposed Budget	Proposed Budget
	FY25-26 \$ in millions	FY26-27 \$ in millions	FY27-28 \$ in millions
City General Fund	\$277.0	\$267.9	\$286.0
Our City, Our Home Fund (Gross Receipts Tax Revenue)	\$348.1	\$328.1	\$300.9
HSH Fund (Care Not Cash)	\$23.0	\$23.1	\$23.4
Federal Grants (Continuum of Care and PATH McKinney)	\$64.7	\$64.7	\$64.9
State Homeless Hsg, Assistance & Prevention (HHAP) Grants	\$39.9	-	-
Other Revenue (Opioid Settlement, Bridge Hsg, CalAIM, PATH, Global Payment Program, Work Order recoveries)	\$32.9	\$44.2	\$34.4
Total Sources	\$785.6	\$728.0	\$709.6

Proposed Budget as of 2/6/26 and not reflective of final balancing

HSH General Fund Year-over-Year Changes

HSH General Fund Changes	Proposed Budget	Proposed Budget
	\$ change from FY25-26 \$ in millions	\$ change from FY26-27 \$ in millions
Personnel Costs	\$1.0	\$2.5
Local Operating Subsidy Program and Master Lease Cost increases	\$1.4	\$1.2
Cost of Doing Business Increases for CBOs	\$3.0	\$7.1
Work Order Adjustments	\$1.0	-
Whole Person Care, PATH, CalAIM, GPP expenditure adjustment	\$2.8	(\$2.3)
One-time Funding and Capital Costs	(\$6.2)	-
Prior Year CBO Reduction (adopted in FY25-27 budget)	(\$2.5)	-
Whole Person Care, PATH, CalAIM, GPP revenue adjustments – one-time savings to General Fund	(\$9.6)	\$9.6
Total Increase/(Decrease) Compared to Prior Year Expenditures	(\$9.1)	\$18.1

Proposed Budget as of 2/6/26 and not reflective of final balancing



Budget Proposal Highlights

- Maintains investments for families and youth, including implementation of multi-year expansion for family and youth scattered-site housing with Our City, Our Home Fund (OCOH)
- Continues California Advancing and Innovating Medi-Cal (CalAIM) investment for housing navigation, tenancy stabilization services, and housing deposits. Adds revenue for new transitional rent program and medical respite program in partnership with DPH
- Funds known costs increases for the support service component of the Local Operating Subsidy Program (LOSP)
- Funds Cost of Doing Business Increase for CBOs at 1.4% and 3% level
- Sustains shelter capacity and supports operational cost increases through contract efficiencies and reductions

FY27 & FY28 Capital Planning Requests

Requests to Capital Planning Committee

- **\$1.2M for 525 5th Street MSC South Adult Shelter Seismic Planning Project**
 - Funding for programming and conceptual design of an adult shelter replacement
- **\$2M for 1001 Polk Shelter Seismic Planning Project**
 - Project will encompass demolishing building and redesigning new structure to maximize the footprint for more functional emergency shelter site
- **\$0.75M for 525 5th Street MSC South Adult Shelter**
 - Funding for modernization of the elevator
- **\$1.5M for 525 5th Street MSC South Adult Shelter**
 - Funding for replacement of the roof
- **\$4M in FY26-27 for Family Shelter Pre-Development Project**
 - Planning funding for new family shelter project
 - In November 2024, voters approved \$50 million in General Obligation bond funding for family shelter replacement project

Our City, Our Home Fund

- San Francisco voters created the Our City, Our Home (OCOH) Fund when they passed Proposition C in 2018
- Prop C imposes a business tax (Homelessness Gross Receipts tax), with revenues dedicated to increasing housing and services for people experiencing homelessness
- Tax code allocates revenue to program areas:
 - At least 50% towards **Permanent Housing**
 - 55% General Housing
 - 25% Family Housing
 - 20% Youth Housing
 - At least 25% towards **Mental Health** services (allocated to DPH)
 - No more than 15% towards **Homelessness Prevention**
 - No more than 10% towards **Shelter and Hygiene**
- OCOH Oversight Committee monitors and provides guidance on administration of the Fund

Department Proposed OCOH Budget

- Maintains and sustains investments in OCOH-funded programs to continue service levels including updating operating budgets at City-owned PSH sites to account for HomeKey Grant spenddown and one-time rehab costs
- Revenue came in higher than budgeted the last two fiscal years, meaning the City is facing a smaller structural deficit in the OCOH Fund than in prior years
- Proposed FY26-27 Budget includes one-time funding for Mayor's Breaking the Cycle Initiative appropriated last budget cycle. Program funding ends in FY27-28

FY26-28 Proposed OCOH Spending Plan

Dollar amounts in millions

		FY26-27	FY27-28
USES	General Housing	119.5	107.4
	TAY Housing	51.2	48.7
	Family Housing	68.2	62.6
	Homelessness Prevention	70.5	71.0
	Shelter & Hygiene	59.3	40.4
	TOTAL USES	\$368.7	\$330.1
SOURCES	Gross Receipts Tax Revenue	275.5	287.5
	Other Revenue	93.2	42.6
	TOTAL SOURCES	\$368.7	\$330.1
SOURCES - USES		-	-

Proposed Budget as of 2/6/26 and not reflective of final balancing



FY26-28 Position Summary and Current Salary Savings

	FY26 Adopted Budget	FY27 Proposed Budget	<i>Change from FY26</i>	FY28 Proposed Budget	<i>Change from FY27</i>
Full-Time Equivalent (FTE) Positions	247.47	247.28	-0.19	247.30	0.02

- Proposed FY27 budget includes additional salary savings to balance technical position adjustments. Attrition set at 5.37 FTE
- Hiring freeze still in place across City; HSH projects \$2.1 million in salary savings for FY25-26 based on hiring freeze
- Position changes include adjustments to converting a public service aide to a receptionist position to meet Mayor's return to office requirement and cost-neutral changes in 3 job classifications for greater efficiency

Proposed Budget as of 2/6/26 and not reflective of final balancing



FY2026-2028: Budget Deadlines

- **January 15:** Homelessness Oversight Commission meeting - Present budget instructions for discussion
- **January 20:** Program Performance Review document submitted to Mayor's Budget Office (MBO)
- **January 20 – February 5:** MBO Review and direction on Budget targets and priorities
- **February 13:** Homelessness Oversight Commission meeting - Present Department Request for HOC approval
- **February 21:** Proposed HSH budget submitted to Mayor's Budget Office
- **February 26:** OCOH Oversight Committee meeting – Presentation on Department's Budget Request
- **March-May:** Mayor's Office budget development
- **June 1:** Deadline for Mayor to release proposed FY2026-28 Budget
- **Mid- late June:** Board of Supervisors' budget hearings
- **July:** Board of Supervisors adopts final two-year budget



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Questions?