Update on DPH Budget Planning FYs 2026-28

San Francisco Department of
Public Health

Background: Preserving the Safety Net

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- **The City faces an unprecedented two-year $643 million budget deficit with $306 million driven by federal and state Medi-Cal/Medicaid cuts.**
- The Medi-Cal/Medicaid cuts equal 25% of DPH's FY25–26 General Fund allocation.
- **If absorbed by DPH alone, this would require severe cuts to clinical care, public health services, and to the city's only Level 1 Trauma,** cratering the city's health services safety net.
- Instead, the Mayor has directed $400 million in ongoing General Fund reductions across all departments to protect core services.
- **DPH has difficult budget decisions ahead even as the entire City supports critical health care services.**

DPH Budget Submission: Key Numbers

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	FY 25–26	Proposed FY 27–28 Budget	Change from FY 25-26
Total DPH Budget	$3,366M	$3,775M	+$409M (+12%)
General Fund (GF)	$779M	**$1,085M**	**+$307M (+40%)**

Growth of $307M in GF is after $137M in ongoing GFreductions.

This GF growth (+40%) represents critical support from the City to avoid massive cuts that would otherwise be needed given unprecedented federal/state Medi-Cal cuts.

Where We Are: Budget Timeline

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Feb 23

DPH Budget Submitted

This includes a $307M increase (+40%) in general fund (GF) support from the City to offset federal/state Medi-Cal cuts, after $218M in GF reductions over two years. The budget also includes $15M in annual investments for staff safety. DPH is only responsible for half ($7.5M); the Mayor's Office will provide the additional half.

Feb 27

Mayor's Instructions

DPH received additional instructions from the Mayor's office on how DPH should achieve $40M ongoing annually to help the City balance its budget.

Mar 2

Health Commission Update

DPH provided an update to the Health Commission on March 2. Specific reductions proposals will go to the Health Commission by April 20, then to the Mayor's Office.

Apr 20

Reductions to Health Commission

DPH presents specific reduction proposals to the Health Commission, then to the Mayor's Office.

Jun 1

Mayor Releases Budget

The Mayor releases the proposed budget on June 1, followed by the Board of Supervisors review and action.

Jun 26

Final Budget & Appropriations Committee Deliberation

Board of Supervisors Budget & Appropriations Committee holds final deliberations on the FY 2026–28 budget.

Summary of DPH Savings Initiatives in the Budget

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	FY 26-27 GF Savings/(Cost) $s in Millions	FY 27-28 GF Savings/(Cost) $s in Millions	Two-Year Total $s in Millions
Negative exposures vs. baseline budget	**(20.3)**	**(20.9)**	**(41.1)**
Revenue initiatives (above baseline)	**67.7**	**108.6**	**176.3**
Expenditure Savings - already identified*	**17.7**	**17.6**	**35.3**
Critical Investment Initiatives	**(11.7)**	**(16.2)**	**(27.8)**
Security operating investments	*(7.5)*	*(7.5)*	*(15.0)*
Staffing Assisted Living Facility at 624 Laguna	*(1.7)*	*(5.8)*	*(7.5)*
Leases for consolidating staff to modern/seismically safe buildings	*(2.4)*	*(2.9)*	*(5.3)*
February Proposal Net Savings Proposals	**53.5**	**89.1**	**142.6**
Additional GF Savings for April	**35.5**	**47.4**	***82.9***
Position Reductions	**11.0**	**20.0**	**31.0**
Contract Savings and Reductions	**17.0**	**19.9**	**36.9**
Operational Efficiencies ($2.5M Personnel/$5.0 Contract)	**7.5**	**7.5**	**15.0**
Total Proposals	**89.0**	**136.8**	**225.7**

**Excludes placeholder for $7.5 M of operating efficiencies to be developed in April*

Mayor's Policy Guidance to DPH on How to Achieve the $40M in Annual Ongoing Savings

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The Mayor’s Office provided DPH with further policy instructions to achieve $40M in ongoing expenditure savings.

Savings will need to come from:

- $20M from internal organizational reductions.
- $20M from CBO contract reductions and additional $5M in contingency reductions.

The Mayor's Office directed DPH to examine additional savings with the following principles for organizational reductions: role and function elimination, administrative consolidation, workforce realignment.

Note: DPH’s original budget submission already assumed we would achieve additional administrative savings (at least $5M) through administrative contract reductions.

DPH Principles for Identifying Position Reductions

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Prioritize direct care and patient-facing public health functions

- At least 80% of identified positions should be administrative/operational vs. clinical or direct public health functions.

Evaluate administrative/operational changes in the following areas:

- **Reduce manager positions with low span of control** where possible; reduce management layers.
- **Redeploy clinical staff performing administrative work** to support direct client care.
- **Redeploy functions and programs that DPH is no longer performing** or that have been superseded by systems changes, including post-Epic implementation.
- **Review teams with overlapping roles** in administrative, IT, finance, and HR functions.
- **Realign and maximize capacity of HPC and program analyst positions** given recent expansions in those classes.

Strive to ensure the impact of these reductions is distributed equitably across the workforce and the organization.

Wherever possible, reduce impact to staff by identifying alternative roles within DPH to minimize layoffs and support staff through this transition.

Our Plan: Manage More Efficiently with Fewer FTEs Employed AND Protect Jobs, Minimize Layoffs

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- **DPH is committed to fiscal stewardship and reprioritizing resources where needed** to successfully and cost effectively achieve our mission.
- In this current federal/state and local budget climate, this means **reducing the number of FTEs we currently employ on our current base of services.**
- Because we are a large department with many mission-critical roles with routine vacancies, DPH can eliminate ~120 FTE positions (of ~7,700 total) while protecting jobs by assigning impacted staff to other core roles rather than hiring externally. This reduces our employed FTE base while minimizing layoffs.
- **Unfortunately, we are not able to find assignments for a small number of employees**. All those impacted staff have been informed and will receive support, information, and resources from our HR team.
- These decisions were made carefully and, importantly, were made with the aim of protecting the health care safety net and the public health system that our residents depend on.

~120 FTE Reductions: Summary by Category

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~40 (33%) **Analytical, administrative and operational restructuring**
Reorganizing analytical, administrative, and program management functions to improve efficiency and reduce redundancy. Includes streamlining operations and eliminating positions that have remained vacant for extended periods.

~30 (23%) **IT and HR restructuring**
Adjusting service levels in IT and HR to reflect current organizational needs, while preserving capacity for clinical and public health services.

~20 (14%) **Managers with too low "span of control" and too many management layers**
Eliminating management layers and management positions with limited direct reports or duplicating supervisory functions. Applies across both administrative and clinical areas of the department.

~15 (10%) **Redeployment of clinical staff from administrative roles**
Returning licensed clinical staff who have been assigned to administrative or operational functions back to direct patient care thus increasing clinical capacity.

~15 (11%) **Ending certain clinical programs**
Responsibly closing or restructuring select programs where service delivery models have evolved, funding has ended, or consolidation better serves patient needs. Affected staff are being assigned where possible. All staff in impacted programs will be redeployed into roles in other clinical settings (vs. hiring externally for those roles). We will prioritize maintaining continuity of care and other access points for patients.

~10 (9%) **Clinic consolidation (very low volume sites)**
Consolidating staffing at clinical sites with very low patient volume to redirect care capacity toward higher-need locations, improving both efficiency and access to services.

All staff in impacted programs will be redeployed into roles in other clinical settings (vs. hiring externally for those roles).

We will prioritize maintaining continuity of care and other access points for patients.

Reductions are focused on administrative efficiencies, management span of control, and realignment of resources to direct care and services. This approach reduces duplication, strengthens clinical capacity, and preserves core services while minimizing workforce impact.

DPH FTE Reductions: Impact on Staff

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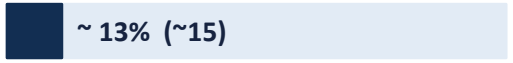
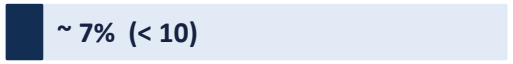
TYPE OF ACTION	DESCRIPTION	PROPORTION
Elimination of vacancies through restructuring and rebalancing workloads	Recent vacancies (e.g., retirement in last few months) eliminated through team reorganization and backfill removal - **a real reduction in employed FTEs with no layoff required.**	
Organizational restructuring through filled position elimination and alternative assignments	Roles eliminated with impacted staff reassigned to other mission-critical positions in lieu of external hiring — **reduces employed FTEs without layoff.**	
Exempt and other separations	Exempt and provisional appointments reaching their scheduled end date.	
Layoffs	Permanent civil service staff for whom no other vacant or available classification exists within DPH. Staff issued 60-day notice with bumping rights per Civil Service Rules.	
Total FTE reductions	Permanent civil service and exempt combined.	**~120 positions total**

All of these are difficult decisions and require restructuring DPH operations and reducing our # of employed FTEs. These reductions achieves $20 million in savings + $2.5 million in administrative efficiencies. We are able to **assign most impacted staff to other mission critical roles in lieu of external hiring which reduces total filled DPH positions while mitigating layoffs**. Fewer than 10 DPH staff will be laid off (i.e., their position is eliminated and no other suitable role exists for alternative assignment).

Distribution of Filled FTE Position Reductions by Division

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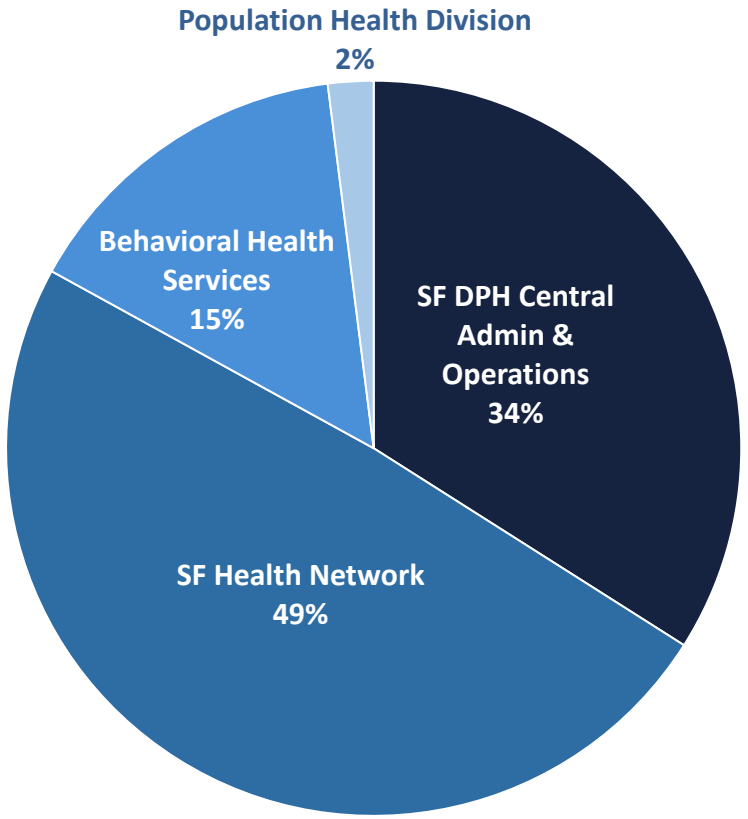

Reductions are distributed across divisions with the largest share in administrative and operational areas. This prioritizes protecting clinical services while improving overall efficiencies.

Detail on Clinics – Consolidating Low Volume Clinic Sites

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Southeast Mission Geriatrics (SEMG) Services

Consolidate low-volume clinic sites by reassigning specialized clinical staff to higher-volume locations. This is a resource realignment — not a reduction in services.

- **Staffing**: 8.75 FTE, 11 staff
- **Volume**:
  - Unique total clients per year: ~ 200
  - Total patients seen per day: ~7 (in-person & telehealth)
- **Location**: 3905 Mission St (cross College Ave)

- Every patient will be offered a seamless transition to another outpatient clinic with **no gap in services** and will have the option to continue seeing their current health care provider whenever possible.
- **There are no layoffs** - staff at SEMG will be transitioned to other clinical sites.
- **Ample time** is provided for patients and staff to transition to a new clinic.

Detail on Clinics – Consolidating Low Volume Clinic Sites

San Francisco Department of Public Health

Cole Street & Michael Baxter Larkin Street Youth Clinics

Consolidate low-volume clinic sites by reassigning specialized clinical staff to higher-volume locations. This is a resource realignment — not a reduction in services.

- **Staffing**: 5.8 FTE
- **Volume**:
  - Unique clients per year: 257 @ Cole; 355 @ Larkin
  - Total patients seen per day: 8 @ Cole; 9 @ Larkin
- **Location**:
  - Cole Street: 555 Cole St.
  - Larkin: 134 Golden Gate

- Every patient will be offered a seamless transition to another outpatient clinic with **no gap in services**
- **There are no layoffs** - staff will be transitioned to other clinical sites.
- **Ample time** is provided for patients and staff to transition to a new clinic.

What's Next for Impacted Staff

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Notice & Rights

Permanent civil service (PCS) staff being laid off will receive a 60-day notice (effective June 5, 2026) with bumping rights per Civil Service Commission (CSC) rules.

Administrative Assignments

Staff being assigned will transition within 60 days. Leadership from both teams will work closely with each employee to ensure a smooth, supported move.

Holdover Roster

All eligible PCS employees will be placed on the holdover roster for up to 5 years, preserving re-employment priority and access to health care benefits.

HR Layoff Guide

All employees, who receive a layoff notice, will be provided a copy of the DHR Employee Layoff Guide and an individual HR meeting to walk through rights, benefits, leave options, and next steps.

Union Engagement

DPH is working closely with unions and DHR throughout this process. All impacts are subject to meet and confer regarding impacts. DPH and the City remain committed to a fair, transparent process.

HR Help Center

A dedicated HR Help Center is available for ongoing support: (628) 271-6980 and HR.HelpCenter@sfdph.org.

Employee Assistance Program (EAP): Free, confidential counseling 24/7 · (628) 652-4600 · eap@sfgov.org

Future Work to Strengthen DPH

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During this budget cycle DPH leadership conducted 16 staff meetings and town halls to hear your feedback. Based on what we heard, we will also work on improving and restructuring key areas in order to strengthen how we organize and deliver our work. Each area will have a designated leader, and plans will be developed collaboratively with teams. **This work will focus on improving operations and enhancing how we serve patients and communities, not on further staff reductions. DPH will hold multiple listening sessions to gather input in these areas.**

AREAS OF FOCUS

Health Equity & Community Engagement	Strengthening DPH's ability to address health disparities and engage communities equitably. Ensuring the workforce reflects the communities we serve through culturally congruent hiring and retention practices.
Data, Analytics & Performance	Building a stronger foundation for data-driven decision-making across DPH by improving how we collect, share, and use data to measure outcomes and guide planning.
Planning & Organizational Effectiveness	Strengthening how DPH plans and manages its work by aligning teams and resources more effectively to support divisions and deliver on our startegic priorities
Contracts, Finance & Program Oversight	Clarifying roles and accountability in how DPH manages contracts, programs, and funding by strengthening oversight and ensuring resources are used effectively.

Next steps: May – June listening sessions with staff across DPH

Contract Reductions – Principles

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- **Prioritize contracts with demonstrated outcomes; deprioritize those with low volume or high cost**
  - Impact on OD deaths; Treatment initiation and retention; Reduction in emergency system usage; Progress on reducing health disparities
  - Deprioritize contracts with low volume of patients served, or exceedingly high costs per individual served, or where services could be better and more cost effectively provided through another source
- **Invest in behavioral health treatment access and stickiness; deprioritize investment in services without demonstrated success overtime**
  - Expanding medication-assisted treatment (MAT) access and initiation
  - First-72-hours crisis stabilization and treatment engagement
  - Solutions promoting sustained client engagement from crisis stabilization through treatment, recovery, and independence
  - Direction from the Mayor's Office: Harm Reduction services that have negative collateral impacts on our communities should be reevaluated
- **Maximize revenue-generating potential** (e.g., Medi-Cal Billing)
- **Apply an equity lens to all proposed reductions**

Contract reductions 1 of 2: Administrative and Funding Source Changes

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	Savings/(Increase) ($s in 1000s)	
	FY2026-27	FY2027-28
Total	$16,146	$19,946
1. Administrative Contract Reductions / No Service Impacts	**$5,831**	**$7,148**
• Reduction of Avatar Licensing following move to EPIC* (in addition to $5M in IT reductions)	$150	$300
• Consulting contracts for Laguna Honda Certification / health system (HSAG, HMA)	$1,580	$2,380
• UCSF Affiliation Agreement - Additional efficiencies and service delivery	$2,000	$2,000
• UCSF Efficiencies and Reductions in Training and Administrative Services	$795	$795
• San Francisco Public Health Foundation - Family Mosaic administrative supports	$257	$343
• CYF Gender Center - adjust budget to reflect program already closed by UCSF	$825	$825
• Environmental Health fee setting consulting services	$50	$50
• Cost of Doing Business (CODB) on reductions	$174	$455
2. Changes to Funding Sources	**$8,349**	**$9,000**
• Contracted services under MHSA no longer prioritized under BHSA, as detailed in Integrated Plan	$1,634	$4,840
• Services planned under MHSA not yet contracted / One-time spend down of MHSA balance in FY 26-27	$5,715	$3,160
• Move new Residential Treatment Program to Prop. C	$1,000	$1,000

Contract Reductions 2 of 2: CBO Reductions

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3. Harm Reduction Supply Policy	**$1,080**	**$1,080**
• Discontinue AHP safer use supply clearinghouse	$586	$586
• Reduce SFAF syringe cleanup contract	$414	$414
• Transition outdoor supply distribution at 3 mobile sites in public spaces (SFAF Hemlock, SFAF Duboce, and HRTC Victoria Manalo Draves Park); reallocate resources in partnership with providers to treatment options and clinical care in indoor spaces, while maintaining core overdose prevention services	$80	$80
4. Reductions in Low-Volume and Under-Utilized Services	**$904**	**$1,398**
• BAART - Transition low-utilization (7 clients) perinatal OTP at the same site	$264	$264
• San Francisco Public Health Foundation - align with the planned wind down / transition of the jail health program following expiration of state funding	$145	$145
• Outpatient SUD Coordinators - underutilized service at 8 different outpatient treatment providers	$495	$989
5. Additional adjustments to contract budgets	**$982**	**$2,319**
• 6.6% across-the-board reduction at 7 Health Access Points and additional savings from Medi-Cal billing	$0	$750
• Hospitality House drop-in program support	$125	$250
• Felton - restructure of program providing support for running contingency management program at Maria X. Martinez and Street Health - no change in services	$463	$925
• RAMS – partner with RAMS to identify additional savings on their $34.7M in contracts	$394	$394
Rebasing contracts - limit carryforward requests of prior year unspent funds	**$1,000**	**$1,000**
Board & Care - rate increases to preserve beds	**($2,000)**	**($2,000)**

BHSA: Implementing Proposition 1 Spending Requirements

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- CA Proposition 1 introduced new state spending requirements for Behavioral Health Services Act (BHSA) funds across Housing, Full-Service Partnership, and Behavioral Health Services and Support.

- DPH will shift investments in Housing and Full-Service Partnership from the General Fund to BHSA to meet new requirements.

- **The programs listed as reductions need to be cut as a result of the new state-required BHSA spending formulas allocations, either in FY26-27 or FY27-28.**
  - DPH communicated these impacts to affected CBOs week of March 23rd, prior to submitting and posting IP for public comment.

Future Work on CBO Contracts

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- Invoicing and contract certification timeliness – DPH must improve this.
- Describing and measuring clearer outcomes or metrics in contracts that both DPH and the CBO are aligned on.
- Shifting from cost-based to fee-for-service contracts where feasible and where it makes sense (reduces administrative burden for both CBO and DPH; for the right types of services, ensures public dollars used for actual services delivered).
- Identifying timeframes for shifting Medi-Cal billable services that are not currently billed over to Medi-Cal billing – we cannot leave federal and state dollars on the table.
- Other areas for open dialogue and direction:
  - Infrastructure for CBOs
  - Where it makes sense to have less fragmentation amongst CBOs – scale, more efficiency, service delivery
  - How to empower and support community

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Thank you

Share your input
at DPHbudgetideas@sfdph.org

Full List of DPH Contracts:

Current Reductions on FINAL Public CBO Program List