



# Department of Public Health FY 25-27 Budget

Health Commission – June 2, 2025

# Overview of DPH Budget

## Citywide context

- **Growing structural deficit**, city-wide expenditures are growing faster than revenues. **Closing the deficit** required difficult decisions, every department is impacted, including DPH.

## DPH's Budget Overview

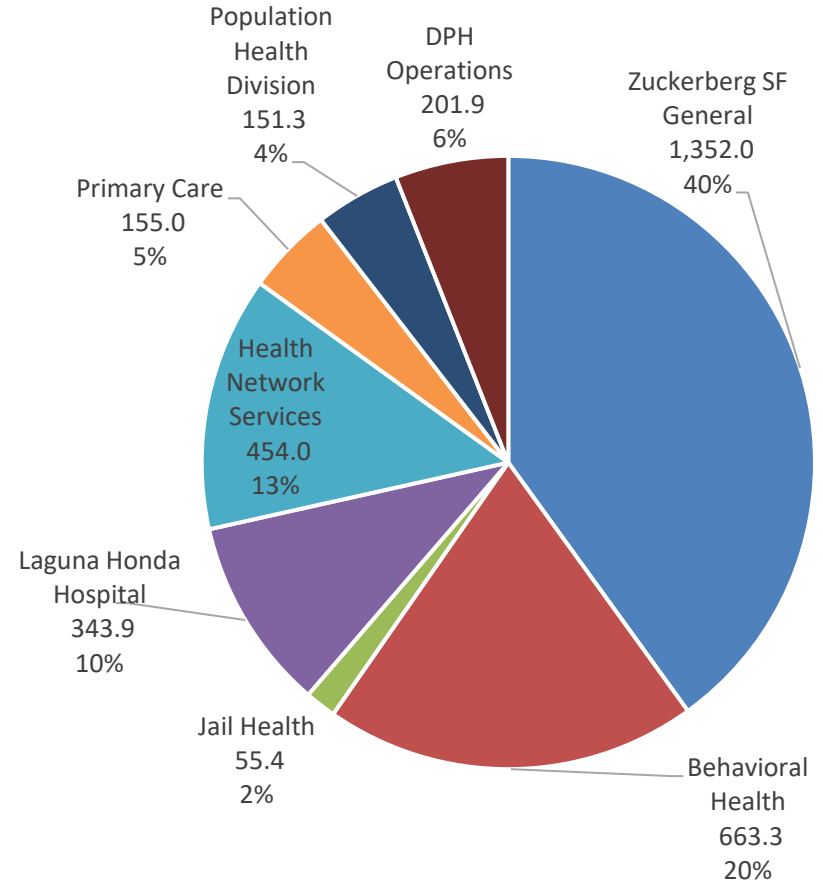
- DPH's Proposed Budget remains at a similar level of \$3.38 billion in FY 2025-26
- We worked hard to maximize revenue (Medi-Cal) and preserve wherever possible direct care, services, and staffing; we were able to do that for the vast majority of the budget
- However, we had to make hard decisions to realign some services and contracts



# Overview of DPH Budget

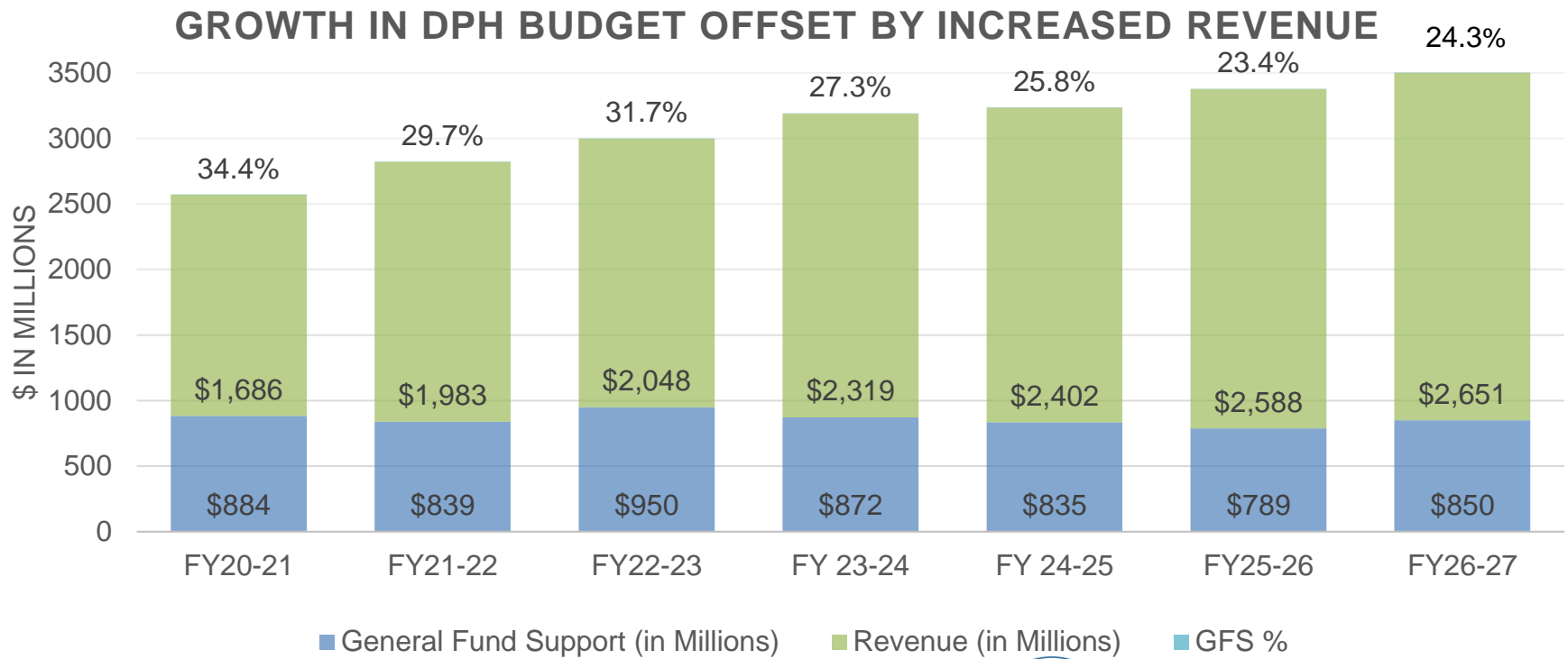
| DPH Division               | FY 2025-26<br>(\$s in Millions) | FTE          |
|----------------------------|---------------------------------|--------------|
| Zuckerberg SF General      | \$1,352.99                      | 2,970        |
| Behavioral Health          | 663.31                          | 833          |
| Jail Health                | 55.41                           | 181          |
| Laguna Honda Hospital      | 343.85                          | 1,312        |
| Health Network Services    | 454.04                          | 814          |
| Primary Care               | 154.96                          | 511          |
| Population Health Division | 151.31                          | 471          |
| DPH Operations             | 201.91                          | 591          |
| <b>Total</b>               | <b>3,376.77</b>                 | <b>7,684</b> |

FY 2025-26 Proposed Budget  
(in Millions)



# DPH Has Lowest General Fund Support Percentage in at least 15 years

- DPH increased revenue by \$185 M in FY 2025-26 and \$248 M in FY 2026-27 – over \$433 M – to reduce general fund support and fund important priorities
- Revenue sources comes from Medi-Cal. DPH also earns Medicare, other patient revenues, State Realignment, State and Federal Grants, etc.



# Overview of DPH Budget

## Main components

- **Revenue:** significant increase in revenue commitment (including Medi-Cal); in FY 25-26, general fund support is reduced from \$830 M to \$789 M (23%), this is **DPH's lowest percentage of General Fund support in over 15 years**
- **FTEs:** Overall budgeted positions remain at similar levels of ~7,700 FTE;
  - No layoffs but 200 positions impacted, 175 vacant FTEs deleted and ~25 DPH Staff will be realigned and transitioned to new functions
- **CBO contracts:** \$9.6M in specified CBO contract reductions starting in FY 2025-26; \$17M unallocated reductions in FY 2026-27 that we will need to thoughtfully work through in the coming 6-9 months (total ~4% reduction)
- **\$75M investment for Breaking the Cycle** to increase treatment capacity and other services – including \$44 M in contracted services
- **Cost of Doing Business (CODB)** increases are included in the Budget with 1.0% in FY2025-26 and an additional 1.91% in FY2026-27

# No Proposed Layoffs, but Staff Realigned

- **None of our proposals will result in layoffs**
- **200 positions impacted:**
  - **Deletes 175 vacant FTE** but overall headcount will remain flat with new investments
  - **~25 DPH Staff (of 7,700+ FTE) will be realigned and transitioned** to new functions within their classifications at DPH during FY2025-26.
- There will be no break in service - **base salary, benefits, seniority, and accrued time** will remain unchanged.
- Overall remains at similar levels to current year of ~7,700 budgeted FTE
- Citywide, however, there is an overall **decrease of over 1,400 FTE** due to changes in other city departments



# DPH General Fund Contract Savings

- Across the City funding for nonprofit provider grants and contracts is reduced to pre-pandemic levels, a savings of approximately \$100M citywide across FY2025-26 & FY 2026-27, DPH's share of this savings is \$26.6M
- Included in DPH's funding reductions is a **\$17 million unallocated reduction** to funding for services from Community-Based Organizations starting on July 1, 2026 - **approximately 10% of unleveraged general fund contract funding.**
- BHS Behavioral Health Outpatient Rates will continue to transition to be in alignment with state Medi-Cal rate structure and productivity assumptions resulting in savings of \$2.5 million and \$5.0 million in FY 2025-26 and FY2026-27, respectively



# Summary of FY 2025-27 Budget

(Changes from Baseline Budget)

|                                    | FY 2025-26                   |                         |  | FY 2026-27                   |                          |  |
|------------------------------------|------------------------------|-------------------------|--|------------------------------|--------------------------|--|
|                                    | Expend<br>Incr/(Decr)        | Revenues<br>Incr/(Decr) | Net GF Impact<br>Favorable/<br>(Unfavorable) | Expend<br>Incr/(Decr)        | Revenues<br>Incr/(Decr)  | Net GF Impact<br>Favorable/<br>(Unfavorable) |
| <b>February Budget Initiatives</b> |                              |                         |  |                              |                          |  |
| <i>Total</i>                       | <b>41,876,398</b>            | <b>201,547,066</b>      | <b>159,670,668</b>                           | <b>49,480,816</b>            | <b>244,832,047</b>       | <b>195,351,231</b>                           |
| <b>Mayor's Phase Initiatives</b>   |                              |                         |  |                              |                          |  |
| <b>New Investments</b>             | 56,272,596                   | 30,268,694              | (26,003,902)                                 | 75,154,887                   | 38,178,688               | (36,976,200)                                 |
| <b>Revenue Growth</b>              | -                            | 27,275,474              | 27,275,474                                   | -                            | 30,871,230               | 30,871,230                                   |
| <b>Expenditure Savings</b>         | (36,239,102)                 | -                       | 36,239,102                                   | (61,604,366)                 | -                        | 61,604,366                                   |
| <i>Total</i>                       | <b>20,033,494</b>            | <b>57,544,169</b>       | <b>37,510,675</b>                            | <b>13,550,521</b>            | <b>69,049,918</b>        | <b>55,499,346</b>                            |
| <b>Total Proposal</b>              | <b>Total<br/>Expenditure</b> | <b>Total Revenue</b>    | <b>Net General Fund<br/>Change</b>           | <b>Total<br/>Expenditure</b> | <b>Total<br/>Revenue</b> | <b>Net General Fund<br/>Change</b>           |
|                                    | <b>61,909,892</b>            | <b>259,091,235</b>      | <b>197,181,243</b>                           | <b>63,031,338</b>            | <b>313,881,965</b>       | <b>250,850,627</b>                           |



# Tough Decisions Ahead

- To identify \$17M in savings beginning July 1, 2026 will require careful review of every program and to maximize efficiency; ensuring that dollars are used effectively to **support programs that drive meaningful outcomes.**
- We must make these cuts **thoughtfully and strategically**, and we need to preserve those services that are effective. This is about ensuring every program we fund delivers results.
- We will continue to collaborate with community partners to **maximize Medi-Cal revenue and identify additional revenue sources** to support our critical programs. Working together to find new ways to bring in resources will be key to ensuring the sustainability of our services.



# Additional Savings & Revenue Items for FY 2025-27 Budget

To support New Budget Investments and address the City's structural deficit, the Mayor's proposed budget includes additional General Fund savings and revenue increases beyond the Department's February proposal:

| Sources for General Fund Savings                           | FY 2025-26 Budget            | FY 2026-27 Budget            |
|--|------------------------------|------------------------------|
| <b>Total Revenue Growth</b>                                | <b><i>\$(27,275,474)</i></b> | <b><i>\$(30,871,230)</i></b> |
|  |                              |                              |
| Fiscal Stewardship   | <i>\$(10,564,811)</i>        | <i>\$(13,213,575)</i>        |
| Deletion of Vacant Positions                               | <i>\$(10,330,000)</i>        | <i>\$(10,800,000)</i>        |
| Improving Operational Efficiency                           | <i>\$(4,548,194)</i>         | <i>\$(11,088,596)</i>        |
| Realignment of Programming to Focus on Mayoral Initiatives | <u><i>\$(10,796,097)</i></u> | <u><i>\$(27,002,195)</i></u> |
| <b>Total Expenditure Savings</b>                           | <b><i>\$(36,239,102)</i></b> | <b><i>\$(61,604,366)</i></b> |
|  |                              |                              |
| <b>Total Sources</b>                                       | <b><i>\$(63,514,576)</i></b> | <b><i>\$(92,475,596)</i></b> |



# Increased Medi-Cal Revenue

Consistent with projections in the Department's FY 2024-25 3<sup>rd</sup> Quarter financial report, the Mayor's budget proposal increases Medi-Cal revenues from existing services

|                                     | FY 2025-26 Budget   | FY 2026-27 Budget   |
|-------------------------------------|---------------------|---------------------|
| Quality Improvement Program Revenue | \$13,075,474        | \$16,671,230        |
| Ambulatory Care Patient Revenues    | 7,200,000           | 7,200,000           |
| ZSFG Patient Revenues               | 7,000,000           | 7,000,000           |
| <b>Total Revenue Growth</b>         | <b>\$27,275,474</b> | <b>\$30,871,230</b> |



# Fiscal Stewardship

The Mayor’s budget proposal includes changes identified by the Department to achieve stronger fiscal oversight and accountability, resulting in cost reductions

|   | FY 2025-26 Budget   | FY 2026-27 Budget   |
|---|---------------------|---------------------|
| Focus Laguna Honda Staffing on Patient Care Assistants  | \$(3,452,427)       | \$ (3,601,191)      |
| Align Behavioral Health Outpatient Services Contracts with State Rates                                      | (2,500,000)         | (5,000,000)         |
| Align Contracts Budget with Spending in Behavioral Health Services and Managed Care Tertiary Care Contracts | (2,920,000)         | (2,920,000)         |
| ZSFG savings in Standby Time, Overtime Hours and UCSF Affiliation Agreement                                 | (1,150,000)         | (1,150,000)         |
| Accelerate Transition of Jail Health Contracted Mentoring and Peer Support Program to CalAIM ECM Teams      | (287,913)           | (287,913)           |
| Eliminate DPH funded professional memberships   | (200,000)           | (200,000)           |
| Reduce HIV Provider Training Series   | (54,470)            | (54,470)            |
| <b>Total</b>  | <b>(10,564,811)</b> | <b>(13,213,575)</b> |



# Improving Operational Efficiency

Streamline administrative support functions to eliminate redundancies and increase efficiency

|   | FY 2025-26 Budget    | FY 2026-27 Budget     |
|---|----------------------|-----------------------|
| <b>Organizational Efficiencies in Administrative and Analytical Capacities</b>  | (\$2,000,000)        | (\$2,000,000)         |
| <b>Reduce Administrative Contracts for Imaging Services, Quality Management, Managed Care Advertising, Office of Health Equity, KPO, and Patient Financial Services</b> | (1,171,185)          | (1,171,185)           |
| <b>Reduce IT infrastructure Refresh Budget and Electronic Health Record Project Budget</b>  | (2,000,000)          | (2,000,000)           |
| <b>Restructure Health and Safety program in Human Resources</b>   | (840,399)            | (840,399)             |
| <b>Reduce Telephone Services as we shift to VOIP</b>  |                      | (200,000)             |
| <b>Restructure Maternal, Child, and Adolescent Health (MCAH) Quality Improvement Program</b>  | (536,610)            | (536,610)             |
| <b>Reduce Materials and Supplies Growth, starting in FY 2026-27</b>   |                      | (\$6,340,402)         |
| <b>Total</b>  | <b>\$(6,548,194)</b> | <b>\$(13,088,596)</b> |



# Deletion of Vacant Positions

A through review of vacancies identified additional positions that have remained unfilled for extended periods without negatively impacting service delivery

| Division                   | Vacancies Deleted |
|----------------------------|-------------------|
| DPH Operations             | -14.0             |
| Behavioral Health          | -8.2              |
| Zuckerberg SF General      | -36.6             |
| Jail Health                | -1.4              |
| Laguna Honda Hospital      | -50.6             |
| Health Network Services    | -23.4             |
| Primary Care               | -15.8             |
| Population Health Division | -6.5              |
| <b>Total</b>               | <b>-156.5</b>     |



# Realignments of Programming

To align with the Mayor’s priorities, including behavioral health reform, addressing street conditions, and overdose prevention, the Mayor’s budget proposal includes several department proposed strategic shifts in resource allocation

|  | FTE          | FY 2025-26            | FY 2026-27            |
|--|--------------|-----------------------|-----------------------|
| \$17.0 million in reductions in contracts with community-based organizations, starting in FY 2026-27   |              | (2,000,000)           | \$ (17,000,000)       |
| Sugary Drink Distribution Tax: Focus on Food Security and School Partnerships  |              | (3,270,000)           | (3,270,000)           |
| Restructure HOPE SF Wellness Centers Staff: Deploy staff to DPH Clinics and bolster funding to expand on-site, culturally-congruent CBO services             | -18.8        | (1,704,320)           | (2,910,418)           |
| Redeploy BHS Staff from Internally-Focused Workforce Training Program and Centralize Training in HR  | -3.0         | (647,360)             | (647,360)             |
| Restructure Disability Assessment Clinic in BHS  | -1.2         | (469,208)             | (469,208)             |
| End Lower Priority & Duplicative Contracts: Early Childhood Mental Health Consultation Initiative (ECMHCI) Services, Managed Care Outreach, and Houdini Link |              | (1,590,388)           | (1,590,388)           |
| Reduce General Fund Support for Seasonal Covid and Flu Community Vaccine contracts   |              | (567,708)             | (567,708)             |
| Reduce PHD Contracts Funding for Health Education and Workforce Services   |              | (547,113)             | (547,113)             |
| <b>Total</b>   | <b>-23.0</b> | <b>\$(10,796,097)</b> | <b>\$(27,002,195)</b> |



# Tackling SF's Behavioral Health and Homelessness crisis

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## Our goals

Build a more responsive and proactive behavioral health system of care that will help move people quickly from the streets into effective treatment and sustained recovery

Reduce fatal overdoses and reduce disparities in overdose rates across the city



# SFDPH Breaking the Cycle Roadmap for the Behavioral Health Crisis

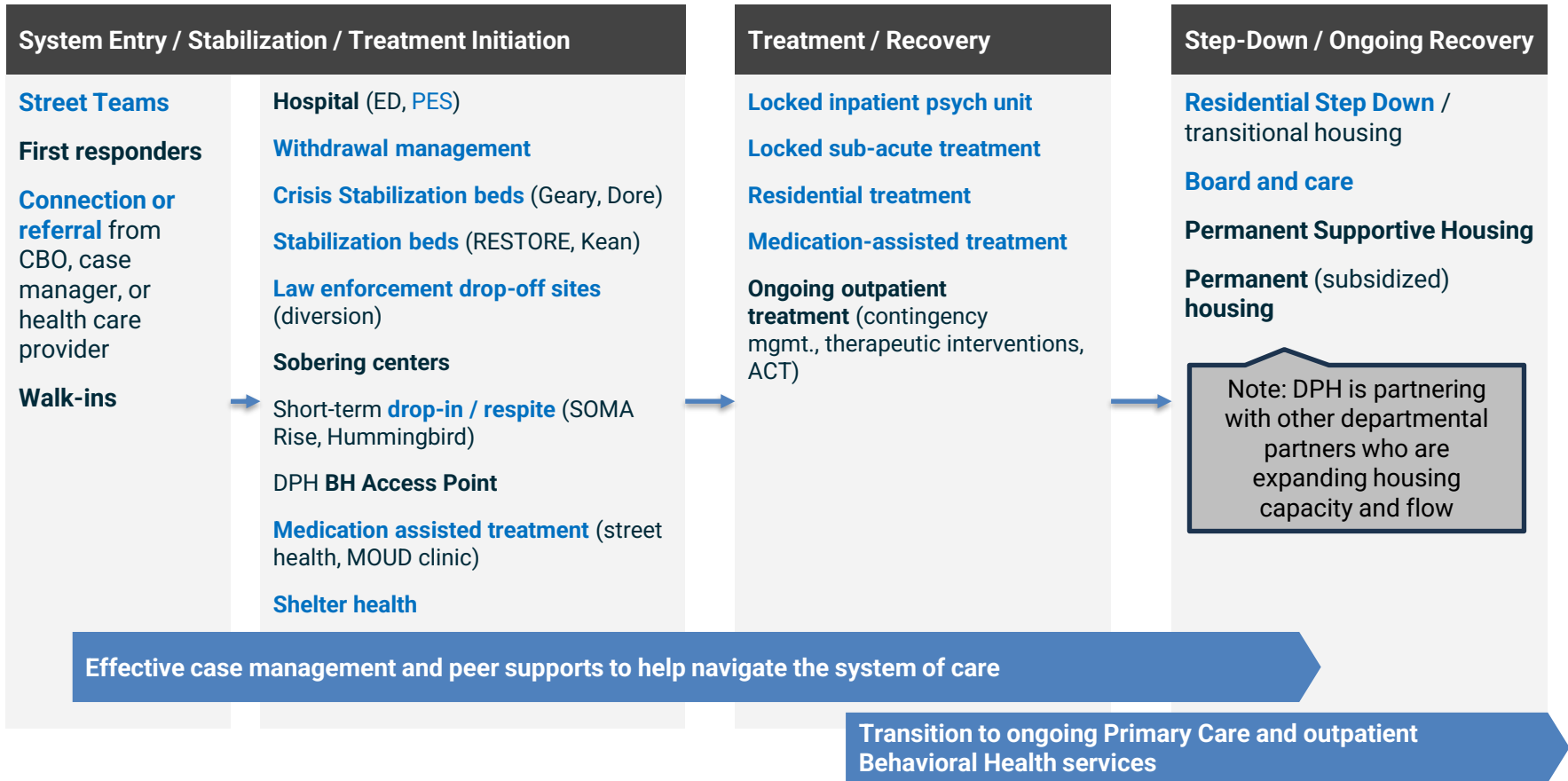
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1. **Expand Treatment Beds and Services** – We need to expand treatment beds and services, at the right levels of clinical intensity, including more clinical care in shelters
2. **Accelerate and Simplify Entry to Care** – We need to more quickly connect people to treatment and stabilization services, whenever someone needs or is ready for treatment
3. **Support People To Progress Through Care** – We need to do a better job being “sticky” – supporting people to engage and stay the course through evidence-based treatment and recovery – without falling through the cracks
4. **Pair Safer Use Supplies with Proactive Linkages to Care** – We are requiring that distribution of supplies be paired with counseling and connections to treatment, and piloting a new smoking supply policy for public spaces
5. **Build a Comprehensive Pathway to Recovery** – We need all the tools in the toolkit, ranging from low-barrier stabilization to recovery-oriented treatment and step-down services, to help everyone on the street move forward
6. **Prevent overdoses** – We need to continue overdose prevention efforts, especially in permanent supportive housing, through culturally congruent programs, and by moving upstream in care



# SFDPH BH System of Care

*Indicates areas where DPH is expanding beds, slots, or services*



# Breaking the Cycle: New Budget Investments (1 of 2)

| Enhancement Investments   | FY2025-26    |                     | FY2026-27    |                     |
|---|--------------|---------------------|--------------|---------------------|
|   | Net New Beds | Budget              | Net New Beds | Budget              |
| <b>1. Street Teams: Building on Success and Expanding Impact</b>            |              |                     |              |                     |
| Consolidate & Strengthen Street Health Teams                                |              | \$3,300,000         |              | \$3,500,000         |
| <b>2. Standing Up Beds and New Models of Care</b>                           |              |                     |              |                     |
| Increase Drop-off Capacity with an additional site                          | 16           | \$3,100,000         | 16           | \$3,100,000         |
| Enhancing and Expanding Shelter Health (including additional RESTORE sites) | 430          | \$7,529,482         | 430          | \$12,263,691        |
| Expand capacity at ZSFG Psychiatric Emergency Services (PES)                |              |                     | 5            | \$5,833,415         |
| Stabilization and Withdrawal Management Beds                                | 86           | \$7,538,421         | 86           | \$7,764,573         |
| Increase Treatment Beds   | 48           | \$5,333,603         | 52           | \$6,804,672         |
| Expand Step-Down and Ongoing Recovery Beds                                  | 96           | \$9,611,843         | 137          | \$13,641,448        |
| <b>Subtotal New Beds Needs</b>  | <b>676</b>   | <b>\$33,113,349</b> | <b>726</b>   | <b>\$49,407,799</b> |



# Breaking the Cycle: New Budget Investments (2 of 2)

| Enhancement Investments   | FY2025-26    |                     | FY2026-27    |                     |
|---|--------------|---------------------|--------------|---------------------|
|   | Net New Beds | Budget              | Net New Beds | Budget              |
| <b>3. Improving “Stickiness” in the System and Expanding Outpatient Treatment</b>           |              |                     |              |                     |
| Increase Capacity of Intensive Outpatient Services, 5150 Follow-up, and Navigation Services |              | \$12,747,000        |              | \$12,990,000        |
| Intensive Outpatient Services for ZSFG Adolescent Psychiatric unit                          |              | \$1,873,348         |              | \$1,873,348         |
| Increase Jail Health Services due to Increased Census                                       |              | \$3,258,899         |              | \$5,403,740         |
| Expand Access to Long-Acting Injectables for Opioid Use Disorder for Street & Jail          |              | \$1,980,000         |              | \$1,980,000         |
| <b>Subtotal “Stickiness” and Outpatient Treatment</b>                                       |              | <b>\$19,859,247</b> |              | <b>\$22,247,088</b> |
| <b>Total New Investments</b>  |              | <b>\$56,272,596</b> |              | <b>\$75,154,887</b> |
| Medi-Cal Revenue Tied to New Investments  |              | \$(11,572,031)      |              | \$(15,416,875)      |
| Our City, Our Home Fund Balance   |              | \$(18,696,663)      |              | \$(22,761,813)      |
| <b>New General Fund Support for Investments</b>   | <b>676</b>   | <b>\$26,003,902</b> | <b>726</b>   | <b>\$36,976,200</b> |



# Conclusion and Next Steps

- Budget now moves to the **BOS Budget and Finance Committee** on June 12<sup>th</sup> and 18<sup>th</sup>
- Overall, the **department's budget and services are preserved** in the Mayor's Budget
- We recognize these changes are difficult, but they will put **the department and the City on stronger financial footing** so we can sustain our services the population served.
- While there are proposed changes to existing services and additional changes in the future, **we remain committed to our mission to patients, residents, CBO partners, and staff**



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# Questions