



Department of Public Health Budget Update FY2026-27 & FY2027-28

January 5, 2026

Agenda

- I. Five-Year Financial Projection for the City and Mayor's Budget Instructions
- II. Approach to Budgeting and Next Steps
- III. Overview of DPH's Budget
 - Review of Base Budget for Divisions
 - Projected Salary Spending in Current Year (Admin Code 3.3)



Overall Priorities for DPH

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Mission and vision

Mission: Protect and promote the health of all San Franciscans
Vision: Making San Francisco the healthiest place on earth **[for all people!]**

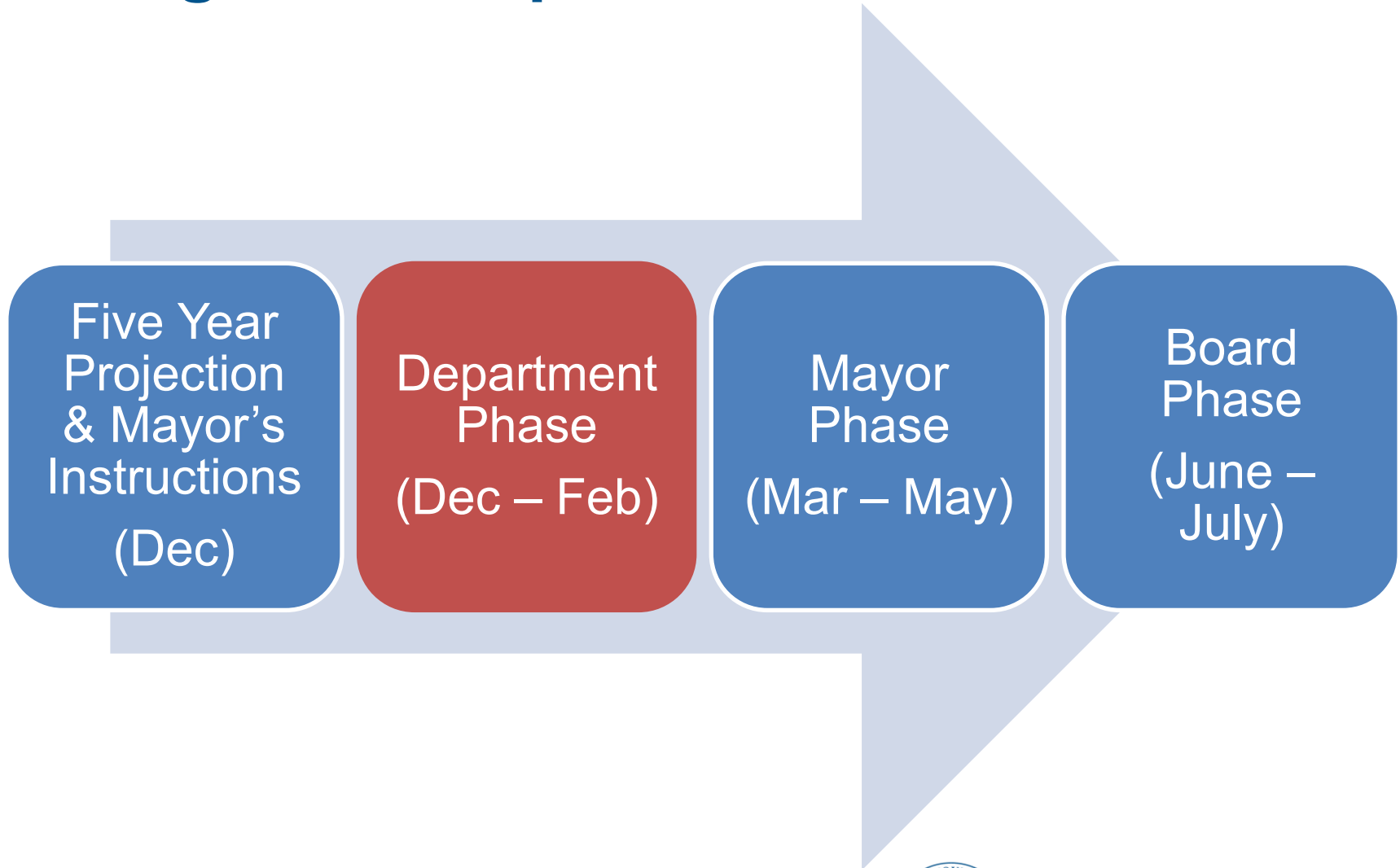
Overall priorities

- 1. Getting to Zero on health disparities over the long term** by deploying world class, systematic public health interventions (upstream, tackling social drivers of health, community engagement)
- 2. Be the best health care delivery system in the world** (access, quality of care and outcomes, care experience, integrated and population-health based care)
- 3. Tackling the behavioral health and homelessness crisis**

How we will do this

- Drive decision making, policy and health care based on:
 - **An integrated, systems approach, working as one DPH**
 - **World-class data and analytics** to drive **evidence-based practices**
- **Execute with operational effectiveness, rigor and financial sustainability**
- **Meaningfully engage the community** in what we do
- **Develop & invest in our people** to effectively achieve our mission and support our team

Budget Development Phases



Five-Year Financial Projections & Mayor's Budget Instructions



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City Fiscal Outlook: Five Year Outlook

Fiscal Outlook:

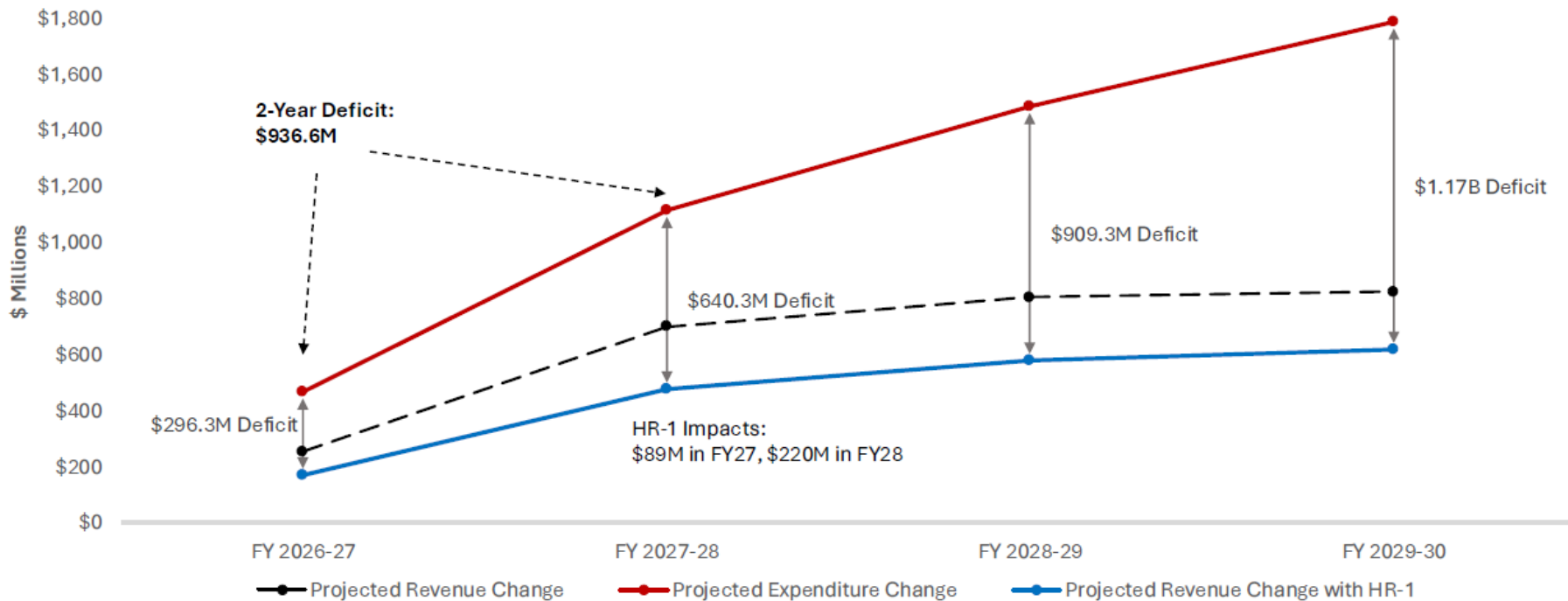
- Rate of expenditure growth far outpaces City's General Fund revenues – creating an **\$936M two-year deficit** (\$296M deficit in FY 2026-27, **\$640M** in FY 2027-28)
- **Expenditure growth of \$1.8B far surpasses revenue growth of \$617M** over the next five years

Budget Instructions to Departments:

- **Reduce General Fund spending by \$400M ongoing** through restructured service delivery and targeted program elimination



Fiscal Outlook



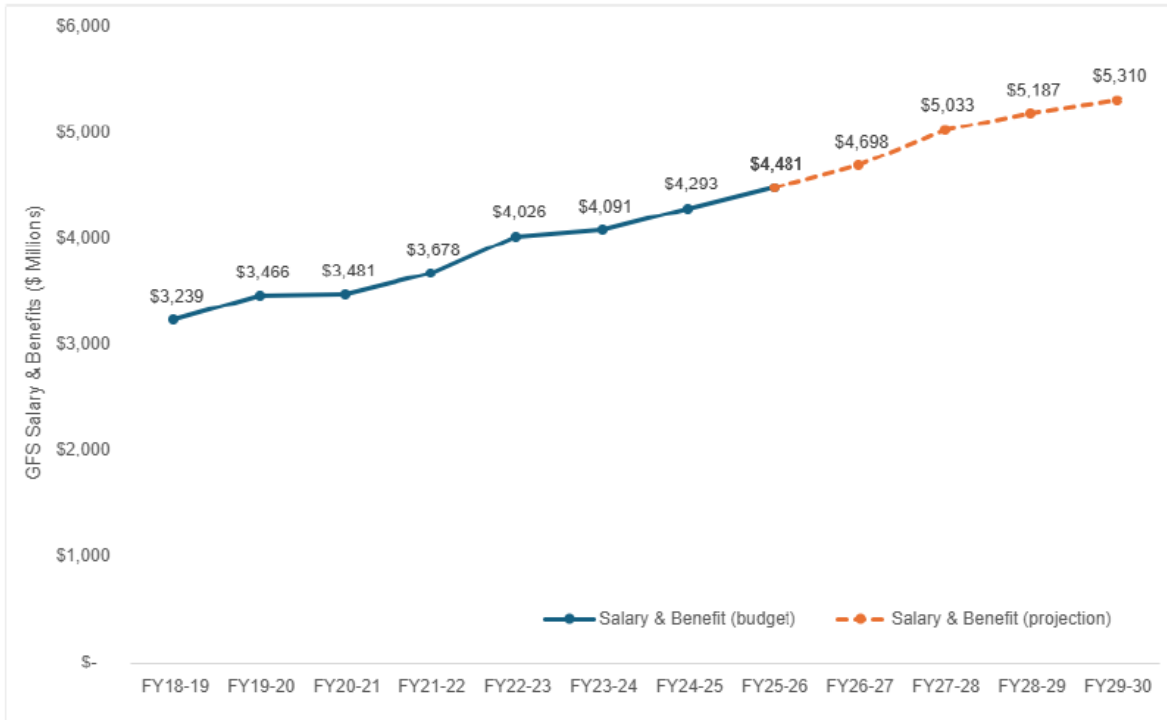
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Fiscal Outlook: Five Year Outlook

	Change from AAO Budget 2026-27	Projection 2026-27	Projection 2027-28	Projection 2028-29	Projection 2029-30
SOURCES Increase / (Decrease)	(125.6)	252.4	697.7	803.0	822.0
Uses					
Baselines & Reserves	(17.2)	(118.8)	(220.2)	(259.0)	(274.3)
Salaries & Benefits	(47.0)	(216.5)	(551.5)	(705.9)	(828.9)
Citywide Operating Budget Costs	(11.0)	(50.4)	(179.5)	(232.4)	(302.2)
Departmental Costs	(11.0)	(78.5)	(165.1)	(289.0)	(380.3)
USES Decrease / (Increase)	(86.2)	(464.2)	(1,116.2)	(1,486.3)	(1,785.6)
Cumulative Projected Surplus / (Shortfall)	(211.8)	(211.8)	(418.5)	(683.3)	(963.7)
State & Federal Policy Impacts	(84.5)	(84.5)	(221.8)	(226.0)	(204.8)
Projected Cumulative Projected Surplus / (Shortfall)	(296.3)	(296.3)	(640.3)	(909.3)	(1,168.5)
Two-Year Deficit		(936.6)			



Key Expenditure Drivers: Salaries & Benefits



- GFS Salary and Benefits costs have increased by over \$1.2 B since FY19
- Projected to grow by over \$820M by 2030
- Projections reflect total ASO reduction from last year's budget



Fiscal Outlook: Major Assumptions in the Five Year Forecast

- **Strong business tax growth; modest local tax growth**, does not assume a recession
- **Revenue loss from H.R.1**: Assumes \$300 million over two years
- **Salary & benefits**: CPI growth on all open contracts assumed January 1 in FY 2027-28 and July 1 from FY 2028-29 onward;
- **7.2% rate of return on pension investments**; 9% health rate cost growth
- **Citywide & departmental costs**: Full funding of Ten-Year Capital & ICT Plans by FY 2027-28;
- **3% cost of doing business (CODB) beginning in FY2027-28**
- **City funded baseline growth**: Assumes all baseline growth is funded in each year



City Fiscal Outlook: Risks

- **State Budget Shortfall:** Potential revenue loss if proposals like cuts to education-related property taxes return
 - **Federal Policies:** Federal economic policies have unknown future impacts to the City and National economies. The Joint Report assumes a modest scenario of revenue loss and graduated disenrollment; additional losses are likely
- Uncertain Federal Grant Disbursement:** Policy shifts pose additional threats to grant revenues, which may affect both current- and budget-year revenues
- **Assessment Appeals:** Declining property values risk lowering tax revenue, with at-risk revenue tied to appeal outcomes



Budget Instructions

Budget Instruction Overview



- Reorient city spending towards **2026 priority core services**
- Continue to **reduce structural deficit**
- **Invest** in long-term operational efficiencies



Budget Instructions from Mayor

Programming & Structure

- **\$400M total** in ongoing savings
- **Eliminate** discretionary programs
- **Restructure** departments around current staffing levels
- **Reduce** Citywide workorders and / or overhead by 10%
- **Shift** duplicative or common services toward a centralized model
- Propose near-term investments for long-term cost savings

Contracts & Grants

- Identify **Technology & Procurement** Savings Integrate Core IT functions (Network, Infrastructure, etc).
- Purchase through enterprise agreements;
- Review license usage and eliminate duplicative systems
- Review grants and contracts for measurable outcomes and financial efficiency
- **Federal Funding:** Prioritize funding essential social safety net programs

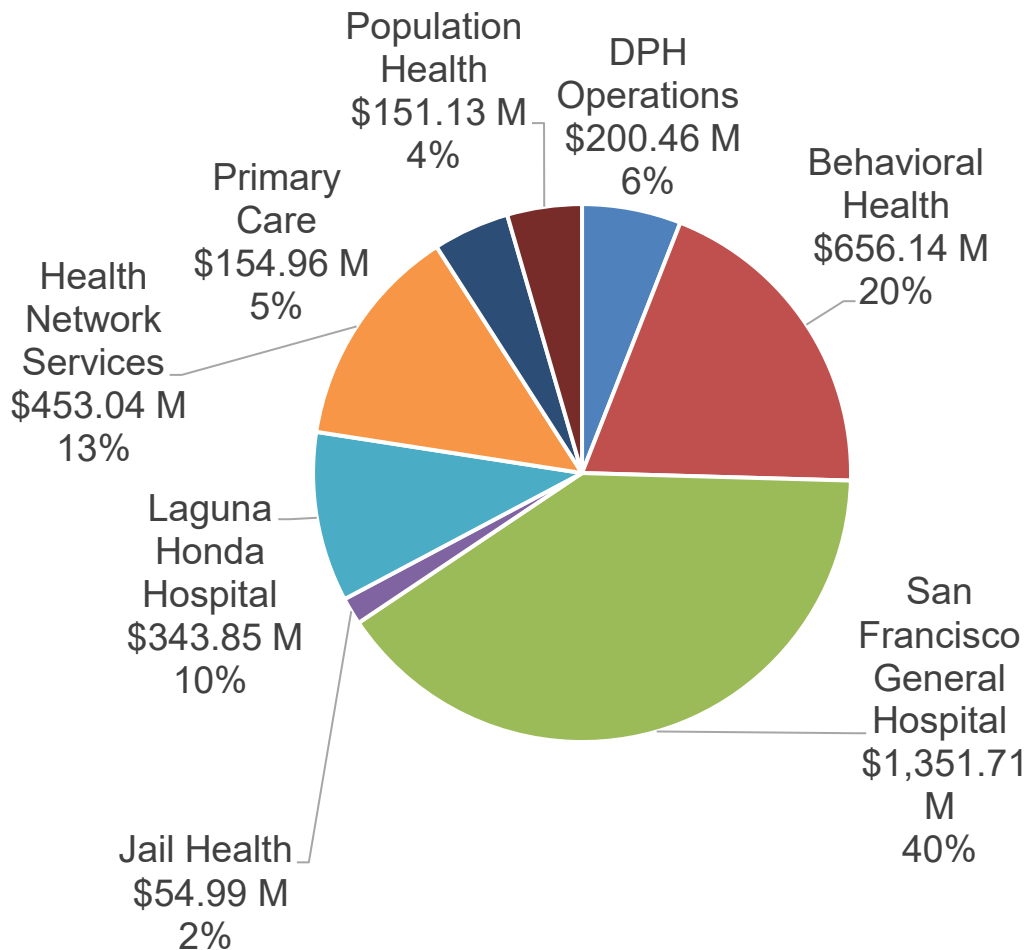


Overview of DPH Budget



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DPH's Annual Budget is \$3.37 Billion with 7,674 Budgeted FTE



Division	Budgeted FTE
Zuckerberg SF General	2,969
Behavioral Health	830
Laguna Honda Hospital	1,312
Health Network Services	809
Primary Care	511
Jail Health	181
DPH Operations	591
Population Health	471
Total FTE	7,674



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FY 2026-28 Approach to Budgeting



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DPH Budget Planning

- DPH divisions are asked to identify **\$50 million in ongoing General Fund savings or new revenue proposals;**
- **No net new FTEs.**
- DPH will also refine proposals for critical needs and investments included in previous budgets; **savings can contribute to Division** targets.
- Savings target is in **addition to** already budgeted reductions including **\$17M in CBO reductions**



Approach to \$17 million in reductions to contracts

- **Community-based organizations are trusted and relied upon as service providers in the communities they serve.** There are no easy reductions to meet budget
- To balance our spending to meet budget and find the services and programs that **stretch public dollars the furthest** DPH has undertaken a program review
- Ongoing review of more than **300 contracted CBO programs with a combined budget of approximately \$215M**, with the \$17M reduction representing ~8%



Administrative Code Section 3.3 – Personnel cost projections

- DPH's operating budget of \$1.5 billion for personnel is currently projected to have \$2M negative variance from budget (~0.1%). This variance is due to:
 - Continued utilization of per-diem nursing across DPH as permanent filled RN positions exceeds funded position levels bringing the effective vacancy rate to 0% as of September 30,2025
 - Unexpected temporary staffing needs and reduced grant overhead recovery amounts in operations divisions.
- DPH is implementing interventions to better track and review per-diem staffing utilization effective January 2026 in order to close the negative variance
- DPH's quarterly financial reports to the Health Commission will continue to update these projections.



DPH – Continued Growth in Budget



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	FY 25-26	FY 26-27	Change	
Total DPH Budget	\$3,366.3 M	\$3,469.4 M	+\$130.2 M	+3.9%
CBO / Contracted Providers*	917.6 M	954.5 M	+36.9 M	+4.0%

Spending towards **CBO / Contracted Providers** grows by **\$36.9 M (4.0%)**, **net of the \$17M reduction**, instead of \$53.9 M (5.9%) without reduction.

* Includes UCSF

Updates on Review of Contracts



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Two related, but distinct efforts we are pursuing:

- As a result of CalAIM payment reform, **\$10M in outpatient behavioral health and residential care providers are moving onto a rate schedule** in line with the State's reimbursement for Medi-Cal services
 - For outpatient programs, these efforts are achieved through rate consolidation in the blended rate process
- Ongoing review of CBO contracts to **allocate \$17M cut from FY2026-27 budget**:
 - Reviewing all the programs across the Department by Modality according to alignment with specific prioritization factors for DPH

Program Evaluation & Use of Framework

Core Evaluation Criteria

- **Strategic alignment:** advances key DPH priorities
- **Programmatic Fit:** Degree of alignment with divisional area of practice/ expertise
- **Equity & Reach:** Serves underserved or uniquely impacted populations
- **Cost efficiency:** Delivers measurable outcomes relative to cost
- **Revenue Potential:** Generates or attracts Medi-Cal or grant funding
- **Performance:** Demonstrates accountability, quality, and impact.
- **Population Health Outcomes:** Improves measurable community health indicators.

How We Will Use This Framework

- **Guide, Not a Scorecard:** Programs will show strengths and weaknesses across criteria.
- **Targeted Re-Prioritization:** Identify a subset of programs for deeper review and potential resource shifts.
- **Holistic Decision-Making:** Weigh cumulative impacts, balance equity, and consider system-wide effects.
- **Mitigation Strategies:** Explore partnerships, alternative funding, or scaled delivery to preserve critical services.



Upcoming Calendar

Steps	Date
DPH CBO Community Meeting	October 1 & 2, 2025
DPH CBO Community Meeting	November 18 & 20, 2025
First Health Commission	Monday January 5, 2026
Draft DPH Contracted Program Reductions	Friday January 16, 2026
DPH CBO Community Meeting	Mid-January 2026
Second Health Commission	Monday February 2, 2026
CBO Reduction Comment Period Deadline	Wednesday, February 4, 2026
Final Department Budget Submission	Monday February 23, 2026
DPH FY26 Second Quarter Financials	Late February 2026
Final DPH Contracted Program Reductions	March 6, 2026
BoS Budget Committee Hearings	June
Budget Considered at Full Board and Passed	July



Next Meeting / Steps

- Present detailed balancing plan
- Request for Health Commission approval of proposed budget for submission to Controller and Mayor's Office
- Additional hearings as necessary
- Budget Submission is due on February 23, 2026



Thank you



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