City and County of San Francisco
Daniel L. Lurie
Mayor

San Francisco Department of Public Health
Daniel Tsai
Director of Health

MEMORANDUM

To: President Laurie Green and Honorable Members of the Health Commission

Through: Daniel Tsai, Director of Health
Jenny Louie, Chief Operating Officer
Drew Murrell, Chief Financial Officer

From: Emily Gibbs, Deputy Finance Officer

Date: April 17, 2026

At the April 20th commission meeting, we will have a fourth hearing on the San Francisco Department of Public Health (SFDPH)'s proposed budget for fiscal year FY 2026-27 and FY 2027-28 (FYs 2026-28). The Health Commission voted to approve the SFDPH FY 26-28 budget at its March 2, 2026 meeting. No further Health Commission action will be taken on the SFDPH FY 26-28 budget.

This memo provides information regarding the SFDPH budget proposal to the Mayor's Office. As we have discussed at the prior budget meetings, the City faces a two-year, $643 million budget deficit, with $306 million driven by federal and state Medi-Cal/Medicaid cuts. The estimated impact of H.R.1. cuts to SFDPH alone is $65 million in FY 2026-27 and $195.8 million in FY 2027-28. If absorbed by SFDPH, 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. The Mayor's Office has directed $400 million in ongoing General Fund reductions across all departments to protect core services, including those at public health.

In response, SFDPH submitted a budget in February that included more than $200 million of General Fund savings proposals relative to SFDPH's budget baseline. Overall, SFDPH anticipated growth in expenditures of $198 million in FY 2026-27 and $221 million in FY 2027-28, primarily due to personnel cost increases in agreed-upon MOUs and other inflationary costs pressures. Revenues are projected to grow by $106 million in FY 2026-27 before falling by $23 million in FY 2027-28. This reflects the negative impacts of H.R.1 offsetting anticipated revenue growth. The submission also included a placeholder for $40 million in ongoing expenditure reductions and $7.5 million in operational efficiencies that would not impact service levels.

The net result of these changes was still a projected growth of $307 million in additional general fund support, growing from $779 million in FY 2025-26 to $1.085 billion in FY 2027-28. This 40% increase in General Fund is needed to avoid massive cuts that would otherwise be needed given unprecedented federal and state Medi-Cal cuts.

Per the Mayor's Office guidance at the end of February, SFDPH must now detail $40 million of ongoing expenditure reductions—$20 million in personnel reductions and $20 million of reductions in contracted services, along with a $5 million contract reduction contingency. The department must also detail its plans for $7.5 million of administrative and operational efficiencies that will not impact services. This memorandum outlines $47.5 million of ongoing savings to meet the $7.5 million of administrative efficiencies and the $40 million of reductions.

	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**

SFDPH FY 2026-28 Budget Proposal

Position Reductions

Staffing represents SFDPH's largest expenditure category with a total budget growing to $2 billion by FY 2027-28 and position authority of over 8,300 (less ~10% attrition savings assumed for routine vacancies, for ongoing staffing of around 7,700 FTE). The Department committed at the outset to, wherever possible, reduce impact to staff by identifying alternative roles within SFDPH to minimize layoffs and support staff through this transition. SFDPH is now proposing to reduce 121 FTE of positions to achieve $22.5 million of savings, primarily through strategic restructuring and rebalancing workloads and removal of redundant administrative layers.

Approach to FTE Budget Reduction	Total Positions
Analytical, Administrative & Operational Restructuring	40.0
IT & HR Restructuring	28.0
Reducing Management Layers	16.5
Redeployment of clinical staff from administrative roles	12.0
Ending certain clinical programs	13.5
Clinic consolidation (very low volume sites)	11.0
	121.0

The proposal includes 108 permanent positions and 13 temporary staff. These positions represent about 1.5% of DPH's total budgeted position authority. The vast majority of the positions (~80%) proposed for elimination are not related to direct client or public facing services.

	Total Proposed	Total Permanent Position Authority in FY27-28 (before attrition)	Percent of DPH Position Authority	Percent of Proposed Positions	Percent Reduction in Total Positions
DPH Operations	41	923	11%	34%	4.4%
Behavioral Health Services (BHS)	19	895	11%	16%	2.1%
San Francisco Health Network (SFHN)	52	5,987	72%	43%	0.9%
Population Health Division (PHD)	9	518	6%	7%	1.7%
	121	8,323	100%	100%	1.5%

Of the 121 positions, around 60% are currently vacant; 40% (47 positions) are filled. Because we are a large department with many mission-critical roles with routine vacancies, SFDPH can eliminate ~120 FTE positions (of ~8,323 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. In particular, all clinical staff can be redeployed to other vacancies in clinics with higher volumes. Unfortunately, SFDPH is not able to find assignments for a small number of administrative and managerial employees (less than 10). 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.

TYPE OF ACTION	DESCRIPTION	PROPORTION
Elimination of Vacancies through Restructuring & 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.**	~ 60% (~70)
Organizational Restructuring through Filled Position Elimination & alternative Assignments	Roles eliminated with impacted staff reassigned to other mission-critical positions in lieu of external hiring — **reduces employed FTEs without layoff.**	~20% (~25)
Exempt and Other Separations	Exempt and provisional appointments reaching their scheduled end date.	~ 13% (~15)
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.	~ 7% (< 10)
Total FTE Reductions	Permanent civil service and exempt combined.	**~120 positions total**

1. *Analytical, Administrative & Operational Restructuring - 40 FTE, $6.1 million*

This restructures analytical, administrative, and program management functions to enhance operational efficiency and reduce functional redundancies. As part of this reorganization, reductions will occur primarily within analytical and program coordinator classifications across operations and program areas. The initiative also includes the elimination of positions that have

remained vacant for extended periods and continued reduction in some clerical classifications (for example, unit clerks and billing clerks) whose duties have been made more efficient by technology.

2. *IT & HR Restructuring - 28 FTE, $2.6 million*

The Department will reduce service levels within Information Technology and Human Resources to align with current organizational needs, while maintaining necessary capacity to support clinical and public health services. This restructuring includes the reduction of 10 FTE within Information Technology and 18 FTE within Human Resources, 13 of which are temporary exempt positions. For Human Resources, this represents a 7% reduction in current staffing. For the Information Technology division budget, when considering an additional $5.6 million of contracts reductions described later in this memo, this will reduce by approximately 7% the overall operating expenditure budget, excluding the internal services workorder with the Department of Technology that is centrally allocated and managed.

3. *Reducing Managers with Low Spans of Control & Management Layers - 16.5 FTE, $5.3 million*

To preserve direct services, the department proposes to streamline management structures by reducing supervisory layers and eliminating management positions with limited spans of control or duplicative oversight responsibilities. These reductions will occur across both administrative and clinical divisions. In total, this initiative removes 16.5 FTE in managerial and supervisory classifications, including Nurse Manager and Nurse Supervisor positions. This represents almost 5% reduction in these classifications.

4. *Redeployment of clinical staff from administrative roles - 12 FTE, $3.7 million*

Within the Department, there are areas in which licensed clinical staff are assigned to administrative or operational functions—such as Quality Management and development of Epic, the department's electronic health record—rather than direct clinical care. SFDPH will reduce the number of clinical roles on these teams, focusing clinical staffing on direct patient care. In addition, this proposal eliminates 4 FTE of Clinical Nurse Specialist positions at Laguna Honda Hospital, which currently focus on education, training, and support functions and are not typically deployed in Skill Nursing Facilities (SNFs) to provide direct patient care. In total, this initiative eliminates 12 FTE from these non-clinical roles and reassigns affected staff into existing clinical vacancies that provide direct patient care, to support overall clinical capacity, where possible and appropriate.

5. *Ending certain clinical programs – 13.5 FTE - $2.8 million*

In addition to reducing nonclinical functions, SFDPH proposes to eliminate positions in three program areas where service delivery models have evolved, funding has concluded, or implementation has not commenced. These changes are intended to better align services with current patient needs. The proposal includes transitioning the 10 bed Managed Alcohol Program into additional Medical Respite capacity in order to preserve overall bed availability and align

with Mayoral policy directives. As part of the prior fiscal year's budget, the Department planned to implement a pilot initiative to support clients following a 5150 hold; however, this program was never launched, and the associated positions are therefore proposed for elimination. Finally, the planned closure of the first RESTORE I site, due to lease expiration, results in the discontinuation of related positions. The RESTORE program continues at the newly opened Central Waterfront location. Affected staff are being redeployed into other clinical settings rather than hiring new external candidates.

6. *Clinic consolidation (very low volume sites) – 11 FTE, $2.0 million*

DPH is proposing the strategic consolidation of three clinics where data show consistently low utilization and reassigning specialized clinical staff to higher-demand locations:

- Southeast Mission Geriatric Services – approximately 200 unique total clients per year and about 7 total patients seen per day
- Cole Street CHPY (Community Health Programs for Youth) Clinic – approximately 250 unique total clients per year and about 8 patients seen per day
- Larkin Street CHPY Clinic – approximately 350 unique clients per year and about 9 patients seen per day

All patients currently seen at these sites will be offered a seamless transition to another outpatient clinic, with no interruption in care. Clients from the two primary care sites will be redirected to other CHPY clinics for medical and behavioral health services. Programming provided by CBO partners, Larkin Street and Huckleberry House, will continue at their existing locations. Additionally, the Southeast Mission Geriatrics Behavioral Health Clinic will be consolidated into other sites; clients will be transitioned to other DPH mental health clinics and will have the option to follow their existing clinicians. By consolidating staffing at sites with very low patient volume, we can redirect care capacity to higher-need locations, improving both efficiency and access to services. These changes will be fully effective by August 28th.

Administrative Budget Efficiencies

SFDPH's February submission included $7.5 million in ongoing administrative budget efficiencies. In addition to $2.5 million of positions identified as part of the FTE reductions, SFDPH proposes $5.0 million in non-personnel budget reductions in its IT budget. The bulk of these changes can be achieved without service impacts, as a result of retiring legacy systems and of savings achieved in negotiations and software licensing. The balance will require reducing vendor support funding and extending the life-cycles of equipment, which will result in slower response time to some outages and potential downtime or delays in replacing equipment. IT will work to prioritize resources and manage with minimal impacts to patient care.

Contract Budget Reductions

In developing our reduction plan for $20 million in ongoing contract savings, the Mayor's Office directed SFDPH to focus on preserving the programs delivering the strongest outcomes for San Francisco residents. That includes continuing to prioritize programs that: prevent overdose deaths, support people in starting and staying in treatment, reduce strain on emergency systems, and meaningfully narrow health disparities. This also meant safeguarding critical behavioral health programs that create access to medications for addiction treatment, crisis stabilization and

early engagement, and help individuals stay connected from crisis through recovery. Where programs had not demonstrated sustained success or where costs per client were exceedingly high, SFDPH was asked to consider restructuring or reducing those investments. The Mayor's Office also asked that harm reduction services that have negative collateral impacts on our communities be reevaluated.

SFDPH also has ensured that reductions were aligned with core commitments. These include preserving programs that generate essential revenue, including services that bring in Medi-Cal funding that supports the broader behavioral health system, and working with programs to ensure they maximize Medi-Cal revenue. We applied an equity lens to consider, as best as possible, the impacts of each reduction on partners as well as the cumulative equity impact on communities and organizations. Together, these principles guided us in making difficult reductions that are as thoughtful, equitable, and grounded in the needs of the communities we serve as possible.

Finally, SFDPH approached these reductions with a focus on preserving and protecting general fund support for HIV services that has backfilled federal funding reductions directed to Ryan White grants.

1. *Administrative Reductions in IT, UCSF Affiliation Agreement, and other reductions with no service impacts - $7.1 million*

SFDPH reviewed our portfolio of administrative, consulting, and training contracts, to identify further efficiencies and achieve savings without impacting services. Overall, the Department proposes an additional $0.3 million in reductions to IT contracts – *note that this is in addition to $5.0 million in IT contract reductions identified as part SFDPH's operational efficiencies savings bringing total IT contract reductions to $5.3 million* along with $2.0 million in reductions to the UC Affiliation Agreement and $4.5 million in other contracts for consulting, training, and administrative support. Key reductions include:

$0.3 million in additional savings in IT contracts: in addition to the $5.0 million in administrative efficiencies described above, we propose $0.3 million in reductions to our contract with Netsmart reflecting the end of Avatar licensing as SFDPH shifts fully to Epic for Behavioral Health Services. This reduction leaves remaining funding to support full lifecycle billing of services provided prior to full Epic go-live.

$2.4 million in savings from reductions to consulting agreements: SFDPH identified three consulting engagements to reduce consistent with Mayor's policy instructions. The agreements provided support for Laguna Honda Hospital certification, SFHN revenue capture and Environmental Health fee setting. As services wind down, work will continue with internal staff support. Approximately 5% of the funding will remain for ongoing support of Laguna Honda certification requirements.

$2.0 million in further reductions to the UC Affiliation Agreement: These reductions will be achieved through operational efficiencies identified in partnership with UCSF. No reduction in services is expected, though to manage this reduction, UCSF may need to reduce staffing or restrain cost growth. Overall, when combined with the $5 million reduction proposed in the list

of $17 million in reductions, growth in the UC affiliation agreement will be limited to approximately 3% in FY 2026-27. These changes reflect UCSF working closely in partnership with SFDPH to manage through this difficult budget.

$0.8 million from changes to UCSF programmatic agreements to reflect actual usage and expenditures: Reductions to reflect current size of community psychiatry fellowship ($250,000), efficiencies in the patient care model of the Trauma Recovery Center ($146,000), true-up to actual expenditures for transgender care in the Department of Surgery ($116,000), reflecting the end of study of a transitional meal pilot ($109,554), and reflect the current usage of funding for midwifery ($70,699), echocardiograms in the NICU ($35,000), and optometry services ($30,631). SFDPH will also absorb support for quality improvement ($33,890) and align Laguna Honda medical training to actual usage ($3,000). None of the changes to funding in this line result in service reductions.

$0.3 million in savings from reducing administrative supports to the Family Mosaic Project (FMP): Eliminate three administrative support positions funded via fiscal intermediary contract (SF Public Health Foundation). FMP is a civil service program offering intensive wrap around services for children & youth and the administrative needs can be met with existing staff.

$0.8 million from adjusting the budget to reflect the Child Adolescent Gender Center (CAGC) contract already closed by UCSF: Savings from ending the inactive contract for the UCSF CAGC, which the program requested to end in Nov 2022 due to their staffing transition. CAGC previously provided clinical consultation to providers and direct services for youth undergoing gender affirming procedures.

$0.5 million from Cost of Doing Business (CODB): SFDPH notes that the budget assumes cost-of-doing business (CODB) increases on all nonprofit contracts of 1.4% in FY 2026-27 and another 3% in FY 2027-28. The proposed reductions will, therefore, reduce the assumed CODB growth in the budget by $0.5 million ongoing.

2. *Reductions to align with non-General Fund Sources and reduce General Fund support - $9.0 million*

Savings in this group are primarily achieved through required funding swaps in Mental Health Services Act (MHSA) required as a result of California voters passing Proposition 1 and shifting to the Behavioral Health Services Act (BHSA) requirements. As presented in the BHS Integrated Plan, these changes **required by the State** have increased required allocations in Housing and Full-Service Partnership, resulting in decreased funding available for workforce development, prevention and early intervention programs, and other behavioral health treatment programs (other than Full-Service Partnership programs). SFDPH will shift existing, General Fund costs for Housing and Full-Service Partnership onto BHSA, generating savings. Details of the changes are available in the Department's April presentation to the Health Commission and in its Integrated Plan submission to the California Department of Health Care Services.

$4.8 million in savings from ending contracted services no longer funded under BHSA: Savings from ending $4.8 million in contracted services to accommodate new spending requirements under BHSA.

$3.2 million in savings from not moving forward planned but not yet contracted services under BHSA: Savings from stopping programming on $3.2 million in planned but not contracted services to accommodate new spending requirements under BHSA

$1.0 million in savings from moving a Dual Diagnosis contract: BHS will shift costs of its planned Dual Diagnosis Treatment programs from General Fund to the Our City, Our Home Fund (Prop C) for $1.0 million in general fund savings.

3. *Harm Reduction Supply Policy - $1.1 M*

Consistent with the Mayor's Breaking the Cycle strategic priorities, the Mayor's Office has directed DPH to focus its investments in behavioral health treatment access and stickiness. DPH proposes several changes to its contracts in line with these policy directives. These include:

$0.6 million from restructuring the Alliance Health Project (AHP) safer-use supply clearinghouse at UCSF: The majority of safer use supplies distributed in San Francisco can be received for free through the California State Supply Clearinghouse, eliminating the need for BHS to fund AHP to purchase additional supplies. The proposed reduction is approximately 50% of the contract funding.

$0.4 million from restructuring the ending the San Francisco AIDS Foundation (SFAF) syringe clean up program: Reduce the San Francisco AIDS Foundation (SFAF) syringe clean up contract for a savings of $400K a year. Aligns to current demand for syringe clean up services.

$0.1 million to transition outdoor supply distribution at 3 mobile sites in public spaces (SFAF Hemlock, SFAF Duboce, and Harm Reduction Therapy Center (HRTC) Victoria Manalo Draves Park): Resources to be reallocated in partnership with providers to treatment options and clinical care in indoor spaces, while maintaining core overdose prevention services

4. *Reductions in Low-Volume and Under-Utilized Services - $1.4 million*

DPH proposes a number of reductions to recognize savings from low-volume and under-utilized resources at its partners. These include:

$0.3 million BAART (Addiction Research and Treatment, Inc.) ART FACET: This reduction ends the Perinatal Drug Medi-Cal Opioid Treatment Program (OTP), which has served 6-7 patients per year. The work can be absorbed to the agency's regular OTP program, at the same location.

$0.1 million from ending the Peers for the Jail Health Program via San Francisco Public Health Foundation: Reduction aligns with the planned end of the jail health peer services following expiration of state funding for jail health peers program. Support in jail health has transitioned to more robust enhanced case management services under CalAIM.

$1.0 million from ending pilot substance use patient navigator program at 8 agencies: In 2022, Behavioral Health Services (BHS) allocated $1 million from Proposition C funding to add one full-time patient navigator for each outpatient substance use disorder treatment program. This pilot initiative was designed to increase both treatment engagement and retention among clients. Alternative navigation interventions, however, have proven more effective at engaging individuals and connecting them to treatment across all levels of care. DPH proposes to reduce the patient navigator roles across eight different SUD outpatient providers.

5. *Additional adjustments to contract budgets - $2.3 million*

There are three other areas of reduction in the proposed budget.

$0.8 million from an across-the-board 6.6% reduction to Health Access Point Contracts and realizing a billing opportunity with a HAP provider: This 6.6% reduction preserves $10.4 million in funding for seven Health Access Points (HAPs), each focusing on a different community. HAPs provide low-barrier clinical and community services in welcoming spaces, free from stigma, to ensure that all San Franciscans have equitable access to high-quality HCV, HIV, and STI prevention, care & treatment services, and overdose prevention services. SFDPH believes strongly in the success of this model in taking an equity-focused approach to reaching the communities facing the greatest health disparities. The Department proposes a 6.6% reduction in FY 2027-28 across the board to the HAP network providers to meet budget reduction targets. DPH plans to revisit our 13 standards of care to enact these reductions in alignment with essential HAP services: overdose prevention, sexual health and linkages to behavioral health services.

In addition, there is a reduction of $0.1 million in FY 27-28 from the San Francisco AIDS Foundation's clinical sustainability funding, which reflects a shift towards billing insurance for services that will assist with minimizing the across-the-board reduction to HAPs.

The billing opportunity and related reduction of $0.1 million at SFAF is in addition to $433K adopted as part of $17 million in reductions by the Health Commission on March 2, 2026. This was intended as a reduction to an SFAF capacity building program. In the $17 million of contract reductions we originally proposed reductions to two programs: the Clinical Assistants Program (CAP) and the Black/African American Health Access Point Capacity Building Program. Based off of feedback, we reevaluated and restored the CAP program, recognizing it as a direct service. The Black/African American Health Access Point Capacity Building Program continues to be reduced at $433K. We acknowledge that SFDPH and SFAF had previously agreed to partially fund the Clinical Assistants Program (CAP) from the Black/African American Health Access

Point Capacity Building Program and as a result the CAP program must be reduced in order to rebalance across the entire contract.

$0.3 million from reductions to Central City Hospitality House – Drop-in and Housing Navigation program: Reduce $0.3 million from Central City's drop-in programs with efficiencies in program operations, leaving intact more than $3.5 million a year in drop-in services and navigation.

$0.9 million from ending the Felton Institute – INSPIRE / ECM contract: Restructure of program providing support for running contingency management program at Maria X. Martinez and Street Health. No expected change in services.

$0.4 million from partnering with Richmond Area Multi-Services, Inc. (RAMS) to identify additional savings on their $34.7 million in contracted programs: SFDPH and RAMS will partner to find and additional $0.4 million in contract savings via efficiencies with no expected impact on services.

6. *Other changes to contracted funding – ($1.0) million*

$1.0 million from rebasing contracts: Early this month SFDPH issued instructions to limit carryforward and budget change requests around prior-year unspent funds. SFDPH expects to save $1.0 million as a result of realigning contracts with current staffing and expenditure levels.

($2.0) million in increased expenditures for Board & Care rate increases: SFDPH estimates a $2.0 million reinvestment of a portion of savings identified in this process is required as rate increases for our board and care homes in order to preserve these beds as part of our system of care. As costs in the sector continue to rise faster than inflation, SFDPH risks losing essential capacity and having to relocate patients if it cannot keep pace with the rising costs of beds.

Next Steps

SFDPH will hold a Beilenson hearing at the Health Commission meeting on May 18th regarding the civil service-run clinic closures and the Managed Alcohol Program, as services are ramping down in the current year. The reductions to contracted services provided by CBOs, which are not proposed to go into effect until the next fiscal year or later, will have a Beilenson Hearing at the Board of Supervisors as part of their budget hearings in June.

The Department will submit this proposal for consideration and inclusion in the Mayor's June 1 budget proposal. Over the course of the next six weeks, we will work closely with the Mayor's Office to make any adjustments and/or additional proposals if necessary to achieve a balanced budget and protect critical health services in the face of unprecedented federal cuts.