



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
Jenny Louie, Chief Operating Officer
Drew Murrell, Chief Finance Officer

From: Emily Gibbs, Deputy Finance Officer

Date: June 2nd, 2025

On May 30th, Mayor Daniel Lurie introduced his proposed budget for FY 2025-26 and FY 2026-27 to the Board of Supervisors. For the Department of Public Health (DPH), the budget includes a reinvestment of the department's existing resources while taking steps to improve the City's long-term financial outlook. Changes in the DPH budget reflect a combined strategy of reallocation of existing expenditures, targeted program expansion, and leveraging revenue opportunities to achieve a balanced budget. By leveraging Medi-Cal revenue and strategically re-aligning existing funds, the budget reinvests in high-priority areas while still reducing the DPH's reliance on general fund support.

Overall, the DPH budget will remain at similar levels compared to current year, bringing the total to \$3.38 billion in FY 2025-26 and \$3.50 billion in FY 2026-27. Much of this growth is driven by inflationary costs including salary and fringe cost outlined in the City's contracts with labor unions, as well as continued inflationary increases to maintain services, particularly at Zuckerberg San Francisco General (ZSFG). Despite a 3.5% - 4.5% growth in the budget, the department was able to reduce its general fund contribution by more than \$40 million annually in the first year of the budget with \$789 million in FY 2025-26 and \$850 million in FY 2026-27. The DPH budget's overall percentage of general fund support is at 23% in FY 2025-26 and 24% in FY 2026-27 – the lowest percentage in at least fifteen years.

The budget includes nearly \$75 million in investments that align with Mayor Lurie's priorities, focusing on the City's transformation of behavioral health and homelessness response systems with the goal of long-term stability of San Francisco's health and safety infrastructure. These investments are related to the Breaking the Cycle initiative to address San Francisco's mental health, addiction, and homelessness crisis.

At the same time, the City continued to face a significant challenge: an increasing structural deficit as the growth of expenditures continued outpacing revenues. In his proposed budget, Mayor Lurie

has focused on long term sustainability, rather than short-term balancing using one-time sources. This required ongoing expenditure reductions in the General Fund, impacting all departments, including DPH.

Overall, \$36.2 million of expenditures from the department's FY 2025-26 budget and \$62.0 million in FY 26-27 are reduced or repurposed to reduce growth in DPH's budget. As part of this, the budget includes a restructuring of approximately 200 positions, primarily through the elimination and/or substitution of vacancies to align with priority initiatives. Approximately 25 positions changed are currently filled. **Changes in DPH's budget will not result in any layoffs of DPH staff, as impacted staff will be transitioned to existing vacancies within the department to ensure there is no job loss.** Although there is a reduction of approximately 1,400 positions in City's overall budget, the department's budgeted positions remain essentially the same as the current year with approximately 7,700 budget FTE each year.

These changes allow for reinvestment in key areas, such as expanding nursing and behavioral health clinical capacity and strengthening frontline staffing in critical areas like the streets, shelters, and jails. This strategic reshaping ensures the department continues to meet the growing needs of the community while maintaining fiscal responsibility. A summary of the proposed major investments and expenditure changes follows.

Breaking the Cycle: Tackling San Francisco's Mental Health, Addiction and Homelessness Crisis

The Department of Public Health is working with partner departments across the City to fundamentally transform our behavioral health and homelessness response system with greater accountability, integrated service delivery, and outcomes that prioritize both compassionate care and responsible governance. These efforts seek to: 1) 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 and 2) Reduce fatal overdoses and disparities in overdose rates across the city.

In support of these efforts, the Mayor's budget proposal includes new investments totaling \$56.3 million and \$75.2 million in additional spending in FY 2025-26 and FY 2026-27, respectively. This spending is funded through a combination of additional Medi-Cal revenues, increased use of fund balance in the Our City, Our Home Fund, and additional general fund support. A portion of the increased General Fund comes to DPH as an increase in the shelter health work order from the Department of Homelessness and Supportive Housing.

Investments are made in three strategic categories:

1. Street Teams: Building on Success and Expanding Impact

The Mayor's budget expands and enhances street-based engagement teams. These investments will:

- Build on proven strategies that have demonstrated effectiveness in moving individuals into services quickly and efficiently.
- Broaden outreach to engage individuals "in the middle"—those who may not meet the threshold for shared priority intervention but are not ready to enter treatment—by developing more flexible, client-centered approaches.

- Enhance data and outcome tracking to improve performance measurement and accountability across teams and client pathways.

The budget includes support for 12.4 new FTE at an annual cost of \$3.3 million growing to \$3.5 million in FY 2025-26 and FY 2026-27, respectively. Staff will support five new neighborhood teams and necessary clinical, operational and analytical infrastructure support for the teams. Additional investments support expanded street-based engagement through additional staff in the Office of Coordinated Care in Behavioral Health Services supporting new treatment referrals from street teams and an additional Night Navigator program building on the success of night navigation efforts in the Tenderloin.

2. Standing Up Beds and New Models of Care

Investments will fund the development and operationalization of new treatment and stabilization capacity, including:

- The RESTORE initiative, focused on the ability to combine the offer of a bed with 24/7 availability and a requirement to begin treatment immediately
- More than 350 enhanced shelter health slots, integrating medical and behavioral health supports into the shelter system to improve health outcomes and reduce emergency utilization, and a plan for 16 beds of additional drop-off capacity.
- 230 new treatment and stabilization beds scheduled to come online in 2025.

The budget includes more than 60 positions to support the expansion of RESTORE and shelter health services at new shelter sites, representing a significant investment in new models of care at shelter sites. These staff will provide care at shelter sites to handle patients who are too complex medically and behaviorally for existing shelters. The new investments total \$33.1 million in FY2025-26 - growing to \$49.4 million in FY 2026-27. This will add capacity at all levels of the system – from drop-off, stabilization, and withdrawal management through treatment, step-down, recovery, and long-term care. Lastly, the budget funds the expansion of Psychiatric Emergency Services (PES) at Zuckerberg San Francisco General (ZSFG) by five beds in FY 2026-27, following the anticipated completion of capital work already in progress.

3. Improving “Stickiness” in the System and Supporting People to Progress Through Care

Recognizing the challenge of keeping individuals engaged after initial stabilization, the Mayor’s budget invests in strategies to improve retention and continuity of care:

- New program models and staffing to ensure individuals placed into shelters, treatment, or stabilization programs receive long-term treatment, case management, and navigation assistance.
- Expanded clinical and behavioral support in the jail to address increases in census and acuity of patients.

- The goal is to give clients the **best possible chance of progressing successfully through the entire treatment and recovery system**, rather than cycling back to crisis.

The Mayor’s proposed budget includes new investments in behavioral health outpatient treatment, including funding to expand contracts for intensive case management, 5150 follow-up, and navigation. In addition, the Mayor’s budget proposes new funding for intensive outpatient services for an estimated 150 adolescents annually at ZSFG. There are also 27 new positions for Jail Health, building on staff added in the Department’s February proposal, to expand medical and behavioral health teams as a result of increases in the census in the City’s jails. Finally, the budget includes additional pharmacy funds, partially offset by Medi-Cal revenue, to cover long-acting injectables used to treat patients with substance use disorders. Total funding for improving ‘stickiness’ and supporting people to progress through care is \$19.9 million in FY2025-26 growing to \$22.2 million in FY2026-27.

Enhancement Investments	FY2025-26		FY2026-27	
	Net New Beds	Budget	Net New Beds	Budget
1. Street Teams: Building on Success and Expanding Impact				
Consolidate & Strengthen Street Health Teams		\$3,300,000		\$3,500,000
2. Standing Up Beds and New Models of Care				
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	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
Subtotal New Beds Needs	676	\$33,113,349	726	\$49,407,799
3. Improving “Stickiness” in the System and Expanding Outpatient Treatment				
Increase Intensive Outpatient Services, 5150 Follow-up, and Navigation Services		\$12,747,000		\$12,990,000
Add 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
Subtotal “Stickiness” and Outpatient Treatment		\$19,859,247		\$22,247,088

Total New Investments		\$56,272,596		\$75,154,887
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)
New General Fund Support for Investments		\$26,003,902		\$36,976,200

Additional General Fund Savings to Support Budget Balancing and Alignment to Mayor’s Priorities

In order to support these investments and address the City’s structural deficit, the Mayor’s proposed budget reflects additional General Fund savings and revenue increases to the Department’s February budget proposal. Broadly, these changes come in 5 categories:

Sources for General Fund Savings	FY 2025-26 Budget	FY 2026-27 Budget
Total Revenue Growth	\$(27,275,474)	\$(30,871,230)
<i>Fiscal Stewardship</i>	\$(10,564,811)	\$(13,213,575)
<i>Deletion of Vacant Positions</i>	\$(10,330,000)	\$(10,800,000)
<i>Improving Operational Efficiency</i>	\$(4,548,194)	\$(11,088,596)
<i>Realignment of Programming to Focus on Mayoral Initiatives</i>	\$(10,796,097)	\$(27,002,195)
Total Expenditure Savings	\$(36,239,102)	\$(62,004,366)
Total Sources	\$(63,514,576)	\$(92,475,596)

1. Increased Medi-Cal Revenue

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

Consistent with ambulatory care and ZSFG patient revenue increases projected in the Department’s FY 2024-25 third quarter financial report, the Mayor’s budget proposal includes increased Medi-Cal

revenues from existing services. The budget also assumes full earnings of the Quality Improvement Program incentive revenue consistent with DPH’s prior year performance.

2. Fiscal Stewardship

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

- \$3.6 million in savings from all staff in Home Health Aide positions at Laguna Honda Hospital transitioning to higher-paid Patient Care Assistant positions in alignment with industry-standard care models for skilled nursing homes; a corresponding number of vacant Patient Care Assistant positions will be eliminated with no job loss.
- \$2.5 million growing to \$5.0 million in savings in FY 2025-26 and FY2026-27 from a continued step down of general fund supplement in outpatient behavioral health contracts above the state’s Medi-Cal fee schedule. Adjustments are necessary to ensure fiscal alignment with rates and productivity assumptions established in the State’s Medi-Cal fee schedule while preserving service availability.
- \$2.9 million in savings from aligning contracts in behavioral health and managed care tertiary care contract with UCSF with actual spending.
- ZSFG will reduce Nurse Practitioner standby time, limit overtime growth as the Department fills related vacancies, and identify savings within the UC Affiliation Agreement resulting in \$1.2 million in annual savings.
- \$0.3 million in ongoing savings in Jail Health from accelerating the transition of contracted mentoring and peer support program to its more robust CalAIM enhanced care management (ECM) model. The expectation is that DPH’s expanded staff for CalAIM ECM will provide this service as part of the required ECM expansion. Doing so will maximize revenue as it will be billable to Medi-Cal by the ECM provider under CalAIM.
- \$0.2 million in ongoing savings from eliminating DPH funded professional memberships for staff as these memberships can also be covered via union training programs.
- \$0.1 million in ongoing savings from reducing non-clinical, contracted HIV Provider Training funded through DPH’s HIV Health Services section. Federally mandated trainings for continuous quality improvement will continue, but non-required trainings will be eliminated as part of the effort to prioritize resources towards direct medical services.

Fiscal Stewardship	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	\$ (2,920,000)	\$ (2,920,000)

Services and Managed Care Tertiary Care Contracts		
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 for staff	\$(200,000)	\$(200,000)
Reduce HIV Provider Training Series (not direct care)	\$(54,470)	\$(54,470)
Total	\$(10,564,811)	\$(13,213,575)

3. Deletion of Vacant Positions

The Department has conducted a thorough vacancy review process to identify additional positions that have remained unfilled for extended periods without negatively impacting service delivery. This strategic reduction of 156.5 FTEs will generate savings of approximately \$10.3 million in FY 2025-26 growing to \$10.8 million in FY 2026-27. A portion of the savings is offset with modifications around vacancy attrition assumptions to ensure that there is sufficient salary budget to maintain hiring goals.

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
Total	-156.5

4. Improving Operational Efficiency

We continue to work to streamline administrative support functions to eliminate redundancies and increase efficiency. This proposal identified additional savings through new plans to: standardize procurement workflows, reduce or eliminate contracts for consulting and capacity-building, stretch the IT refresh cycle, and limit new enhancement requests for the electronic health record system. These changes reduce administrative costs and allow resources to be redirected toward direct client services. Finally, \$6.3 million in savings from reduced spending on materials and supplies throughout the Department are included and will require challenging decisions in the next budget cycle to identify. Overall, these changes result in savings of \$4.5 million in FY 2025-26 increasing to \$11.1 million in FY 2026-27.

Improving Operational Efficiency	FTE	FY 2025-26 Budget	FY 2026-27 Budget
Reduce Administrative Contracts for Imaging Services, Quality Management, Managed Care Advertising, Office of Health Equity, KPO, and Patient Financial Services		\$(1,171,185)	\$(1,171,185)
Reduce IT infrastructure Refresh Budget and Electronic Health Record Project Budget		\$(2,000,000)	\$(2,000,000)
Restructure Health and Safety program in Human Resources	-1.00	\$(840,399)	\$(840,399)
Reduce Telephone Services as we shift to VOIP			\$(200,000)
Restructure Maternal, Child, and Adolescent Health (MCAH) Quality Improvement Program	-0.27	\$(536,610)	\$(536,610)
Reduce Materials and Supplies Growth, starting in FY 2026-27			\$(6,340,402)
Total Improving Operational Efficiency	-1.27	\$(4,548,194)	\$(11,088,596)

5. Realignment of Programming to Focus on Mayoral Initiatives

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

- \$2.0 million growing to \$17.0 million in reductions in contracts with community-based organizations starting in FY 2026-27. This represents approximately 10% of the Department’s General Fund contracts that do not draw revenue or serve as a

required match. It will require challenging decisions in the next budget cycle. The Department will initiate a process of reviewing the cost-effectiveness and strategic alignment of all its CBO partnerships across the next budget cycle, ensuring that dollars are used effectively to support programs that drive meaningful outcomes.

- Redirecting \$3.3 million in FY 2025-26 from the Sugary-Drink Distributors Tax to support food security programs through the Human Services Agency. The Mayor's budget maintains support for food security programs and school-based programming administered by DPH, as well DPH staff who oversee the funding and related reporting, but it redirects funds to the Human Services Agency to support food security programs.
- \$1.7 million in savings from realigning health services at HOPE SF wellness sites. DPH has been operating wellness centers at four HOPE SF sites as a partnership between civil service staff and culturally-congruent, community-based staff through the YMCA. The Mayor's proposed budget redesigns the program to expand the community-based support at YMCA while redirecting the City's staffing resources, streamlining the design, and eliminating administrative redundancies. DPH will support continued health services for HOPE SF residents by increasing funding for contracted wellness services and clinical support through the Mayor's Office on Housing and Community Development. The 18.82 FTE of existing staff serving the sites will transition to primary care and behavioral health positions.
- \$0.6 million in ongoing savings from redeploying BHS staff currently doing internally-focused training programs and funded in part by Behavioral Health Services Act (BHSA) funds. This is in part a result of changes to spending requirements under Proposition 1 and is consistent with funding reductions to other non-clinical trainings in the department. DPH will realize efficiencies in training by working with its internal Human Resources team to centralize staff training offerings. This will allow us to prioritize BHS resources for direct mental health interventions, ensure essential services and align with BHSA requirements. The 4.0 FTE of existing staff will transition to other DPH positions.
- \$0.5 million in ongoing savings from restructuring the Department's disability assessment work to incorporate the service across its behavioral health clinics, generating savings in the Chinatown Behavioral Health Clinic.
- \$1.6 million in ongoing savings from ending several lower-priority and duplicative contracts in Behavioral Health. These include two Early Childhood Mental Health Consultation Initiative (ECMHCI) service contracts that primarily support service providers rather than directly assisting children and families. Additionally, DPH will reallocate funds from a contract that supports outreach around comprehensive care and case management services. The current contract is ending at the end of FY 2024-25 and DPH is not continuing this service as it expands other pathways under its Breaking the Cycle initiative. Finally, DPH will end funding for Houdini Link, which has tested a model for linkage to outpatient medication-assisted treatment programs and retention in treatment programs, as we refocus priorities on expansion of critical treatment services. Referrals will be folded into the Office of Coordinated Care.

- \$0.6 million in ongoing savings from transitioning and eliminating General Fund support for community vaccination sites providing pop-up flu and covid vaccination services originally established in response to the Covid-19 pandemic. This is a necessary step as federal funding has changed. Additionally, Medi-Cal and health insurance reimbursement exists for many individuals. We will continue to work with providers and community so they can make Covid and flu vaccines available through billing insurance.
- \$0.5 million in ongoing savings from reductions to funding for current request for proposals that do not provide direct client services under the Population Health Division. These solicitations were aimed to support the Community Health Leadership Initiative & Training Academy Community Workforce Development Program, which is designed to build, support and maintain the HIV/HCV/STI & Drug User Health workforce. This reduction will also eliminate funding for cannabis-usage health education efforts.

Realignment of Programming to Focus on Mayoral Initiatives	FTE	FY 2025-26	FY 2026-27
\$17.0 million in reductions in contracts with community-based organizations		\$(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 and Duplicative Contracts in BHS: 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)
Total	-23.0	\$(10,796,097)	\$(27,002,195)

These budget savings strategies reflect the Department's continued commitment to delivering high-quality health services in a financially responsible manner. We look forward to continued collaboration with the Commission as we implement these and other efforts to improve health outcomes for all San Franciscans while addressing the need to respond to urgent issues and maintaining fiscal sustainability.

Next Steps

The Mayor's Proposed Budget now moves to the Board of Supervisors for review and the Department has begun working with the Budget and Legislative Analyst on their budget review. Two hearings on the Department's budget are scheduled for June 12th and June 18th. We will keep you informed of any changes that take place and will provide a final update on the budget in August.