SAN FRANCISCO
HUMAN SERVICES AGENCY

Department of Benefits and Family Support

Department of Disability and Aging Services

P.O. Box 7988
San Francisco, CA
94120-7988
www.SFHSA.org

Daniel Lurie
Mayor

Trent Rhorer
Executive Director

MEMORANDUM

TO:	Human Services Commission
THROUGH:	Trent Rhorer, Executive Director
FROM:	Daniel Kaplan, Deputy Director for Administration and Finance, Human Services Agency (HSA)
DATE:	January 23, 2025
SUBJECT:	Human Services Agency and Department of Benefits and Family Support Budget for FY 2025-26 & FY 2026-27

In accordance with the City's Administrative Code, each year the Human Services Agency presents to the Human Services Commission two updates on the budget process for the upcoming biennium: one in January and another in February. In the present January memo, HSA provides context regarding the economic climate at the local, state, and federal levels; a summary of the Mayor's budget instructions and priorities; and highlights of program accomplishments and upcoming challenges.

Local Fiscal Climate and Budget Instructions

The City's financial projections for the next two fiscal years suggest expenditure growth well in excess of local revenues, leading to significant budgetary shortfalls in both the near- and long-terms. A combined deficit of just under $876 million is anticipated in the upcoming biennium, composed of a roughly $253 million shortfall in FY 2025-26 and a further $623 million gap in FY 2026-27; conditions only worsen thereafter with an estimated deficit of just under $1.5 billion by FY 2029-30.

Revenues are now projected to grow more slowly than in previous projections due to: a shift in timing for business tax collection as part of voter-approved Prop M, slower property tax recovery, and the continued sluggishness in the City's hospitality sector. These are coupled with increased costs in salary and benefits for City staff, inflationary pressures on many Citywide operating costs related to contracts, leases, materials and supplies, and provision of services through the City's network of community-based

SAN FRANCISCO
HUMAN SERVICES AGENCY

P.O. Box 7988
San Francisco, CA
94120-7988
www.SFHSA.org

organizations, plus required contributions to City baselines for transportation and education, among others.

As a result, last November the Mayor's Office directed all City departments to permanently reduce their discretionary General Fund budgets by 15 percent, starting in FY 2025-26. For the Human Services Agency, including both departments and its administrative division, this results in an ongoing budget reduction target in each fiscal year as follows:

	FY 2025-26	**FY 2026-27**
Ongoing reduction 15%	$8,200,000	$8,200,000

The Mayor's Office further asked that all City departments assess budgetary allocations to their community-based organization partner networks for efficiency and cost effectiveness, re-examine all professional services contracts and non-personnel expenses in general, as well as forego adding new positions, determine if existing vacancies can be eliminated, and consider hiring freezes. The new Mayor maintains these instructions and further directed departments to implement a citywide hiring freeze immediately; suspend new services not yet implemented; and eliminate service contracts that are the least cost-effective.

Under the new Administration, the Mayor's overall budget priorities continue to be centered on revitalizing San Francisco through an emphasis on the following:

- Maintaining core services;
- Improving public safety and street conditions;
- Reducing homelessness and transforming mental health service delivery; and
- Delivering on accountability, efficiency and transparency in City spending.

SAN FRANCISCO
HUMAN SERVICES AGENCY

P.O. Box 7988
San Francisco, CA
94120-7988
www.SFHSA.org

HSA Budget Strategies

HSA is using the following principles in building its proposed budget. To the greatest extent possible:

- Maintain client services; and
- Look for opportunities to repurpose existing position vacancies and funds to meet new needs.

State Budget

Earlier this month, the Governor released the proposed budget for the coming fiscal year. A stronger-than-anticipated performance of the economy, stock market, and cash receipts, combined with an improved economic outlook, have all contributed to an upgraded revenue forecast. Revenues are projected to come in higher by approximately $16.5 billion in the three-year period of 2023-24, 2024-25, and 2025-26. This improved economic performance along with actions taken by the Governor and Legislature in last year's budget cycle addressed California's shortfall in both the current year and the projected deficit in FY 2025-26.

The Governor's Proposed Budget is balanced and does not currently forecast a recession; however, it anticipates shortfalls in subsequent years driven by expenditures exceeding revenues. It also recognizes several risks that could negatively impact the state's economy and revenues, including stock market volatility, geopolitical instability, and federal policy changes. Updates in the budget assumptions, where needed, will be reflected in the Governor's revised budget released in May.

For social services programs, preliminary details suggest modest budget year increases and decreases, largely in-line with anticipated changes in caseload. Over the next several months, we will continue to analyze and monitor the State budget for impacts, and keep the Commission updated as we learn more details.

Federal Issues

The incoming Federal administration and Congressional majority is expected to employ executive powers and legislative tools to dismantle Biden-era policies, implement new priorities, and reform the federal government's regulatory and fiscal landscape. This presents

P.O. Box 7988
San Francisco, CA
94120-7988
www.SFHSA.org

uncertainty about the future shape of safety net programs, notably CalFresh, Medi-Cal, and services to immigrants. Potential risks include reductions to SNAP and Medi-Caid (impacting CalFresh and Medi-Cal in California) to fund other Republican priorities, including lowering taxes and slowing immigration. Additionally, efforts to increase interior enforcement and reverse humanitarian protections may cause immigrants to preemptively disenroll from or avoid key safety net programs due to concerns that participation could negatively impact future adjustment in status or lead to sensitive data being shared with federal authorities. The timing of these potential impacts and lead time before new policies are implemented at the state and county level is uncertain; however, HSA will continue monitoring developments and provide updates as they become available.

Program Highlights and Initiatives

SF Benefits Net (SFBN) — Medi-Cal & CalFresh

CalFresh and Medi-Cal caseloads continue to rise gradually over time. The CalFresh caseload currently sits at 81,000 cases, about 2.5% higher than one year ago. Medi-Cal currently has 151,000 cases, up 4.1% over the same timeframe. Some of this growth is attributable to recent Federal and State policy changes that have expanded eligibility or made it easier for clients to retain their benefits. For example, California granted full scope Medi-Cal coverage to adults ages 50 or older, regardless of immigration status. Meanwhile, the Medi-Cal asset limit test was eliminated, making it easier for some clients to maintain their Medi-Cal eligibility. To address the workload challenges resulting from these growing caseloads, much of HSA's hiring efforts over the past two years have focused on bolstering eligibility worker staffing within the Economic Support and Self-Sufficiency (ESSS) programs.

San Francisco faces a persistent gap between the number of potentially benefits-eligible residents, and the number actually enrolled in public assistance benefits like CalFresh and Medi-Cal. This gap is more pronounced among immigrant populations. Over the past several years, HSA has employed a strategy of bringing its services outside of HSA's offices, by locating eligibility staff at places where potentially eligible clients reside or frequent. Efforts to expand this outreach is currently underway, with the anticipated roll out of a mobile van in the fall of this calendar year.

P.O. Box 7988
San Francisco, CA
94120-7988
www.SFHSA.org

County Adult Assistance Programs (CAAP)

On the March 5th, 2024, local ballot, an ordinance pertaining to CAAP and substance use disorders was approved by San Francisco voters. The legislation requires those who apply for or receive benefits from CAAP to undergo screening for substance use disorder and participate in an HSA funded substance abuse treatment program when the screening reveals that they may have a substance abuse dependency. An internal steering committee comprised of Agency and ESSS/CAAP program leadership, as well as Planning, CAAP, Budget and Communications staff spent the past year planning the implementation of this ordinance. HSA also entered into a new contract agreement with a community-based partner that will assess CAAP clients' need for substance abuse treatment, and coordinate clients' connection to treatment options. This ordinance became effective in January 2025, and so CAAP clients have now begun to be subject to this new screening.

CalWORKs

In recent years, CalWORKs has transitioned toward a more goal-oriented, family-centered service delivery approach with the statewide implementation of the California Outcomes and Accountability Review System (Cal-OAR). Cal-OAR provides a continuous quality improvement accountability framework for participant engagement, service delivery, employment, and other measures of family well-being. Building on these efforts, in November 2024, California was selected as one of five states to participate in the federal Work and Family Well-Being Pilot to test alternative performance measures in CalWORKs. Historically, states are required to meet federal Work Participation Rate (WPR) requirements to avoid fiscal penalties. With California's selection as a pilot state, it is not subject to the WPR and any associated fiscal penalties effective October 1, 2024 and for the duration of the pilot. The pilot will leverage the Cal-OAR framework to measure successful program outcomes more holistically and to better facilitate employment and well-being.

The CalWORKs Housing Support Program (HSP) supports CalWORKs families who are homeless or at risk of homelessness with housing search, rental assistance, and case management services. HSP has

P.O. Box 7988
San Francisco, CA
94120-7988
www.SFHSA.org

benefited from augmented State funding over the past several fiscal years, which has enabled HSP to serve a higher number of families during this period (176 newly housed families in 2024). This expanded funding is ending, however, and HSP will have to operate with less resources beginning in FY 2025-26.

The CalWORKs Welfare-to-Work program continues to engage clients in employment services, as well as barrier remediation services for those needing them. In June 2024, CalWORKs and WDD co-hosted a Career and Resources Fair that was well-received by the community. San Franciscos's Welfare-to-Work program performs above the state average in its employment outcomes. Data from Cal-OAR shows that 54% of SF families who exited CalWORKs in early 2024 did so with earnings, compared with 47% across the State.

The CalWORKs team also completed its first Cal-OAR Progress Report, a requirement for all county CalWORKs programs as part of a 5-year strategic planning process. After completing a Self-Assessment in early 2023, CalWORKs identified 2 goals to improve on in its System Improvement Plan – (1) to increase our Welfare-to-Work Engagement Rate and (2) reduce re-entry of families into CalWORKs after they have exited. CalWORKs has made progress on both goals by implementing several new improvements. These include launching a new activity where clients interested in pursuing education can meet one-on-one with a coordinator to help them explore options, providing new resource tools and trainings for staff, and improving a Quality Assurance process for Welfare-to-Work. In CalWORKs' first year of implementing its System Improvement Plan, they were able to improve their engagement rate slightly from 21% to 22% and reduce its re-entry rate from 22% to 15%.

Family & Children's Services (FCS)

The Title IV-E Waiver provided a higher level of revenue that allowed FCS to make multiple program and staffing investments to strengthen its child welfare programs. The Title IV-E Waiver ended in September of 2019 and created an immediate and significant revenue shortfall in the FCS budget. Since then, FCS has been navigating through this transition by gradually implementing low-impact cost reductions, such as rightsizing underspending programs, holding some positions vacant, and utilizing one-time funds to sustain its current level of

P.O. Box 7988
San Francisco, CA
94120-7988
www.SFHSA.org

programming. These strategies have given FCS time to identify and prioritize core staffing and services as the program implements the Families First Prevention Services Act (FFPSA).

FCS has been implementing FFPSA by developing and implementing an integrated citywide prevention plan meant to increase economic stability, reduce child maltreatment, and improve child welfare permanency outcomes through coordinated prevention programs for children, youth, and families. To accomplish this, FCS has partnered with other City and County Departments as well as community organizations to shift focus from "mandated reporting" to "community supporting." In the interim, additional funding for FFPSA programming will be provided through one-time federal FFPSA Transition Grants. Over the longer term, FCS expects to leverage Title IV-E funding, now made possible through FFPSA, for evidence-based prevention services.

FCS has also been focused on addressing the needs of youth aging out of the foster care system. In high-cost counties like San Francisco, exiting non-minor dependents (NMD) struggle to meet basic needs like housing and food despite working or going to school. Since FY 2023-24, HSA has been implementing a guaranteed income pilot program for former foster youth in San Francisco. Supported by the California Department of Social Services (CDSS), the City and County of San Francisco, JPD, and the non-profit Tipping Point Community, this pilot has been providing monthly payments of $1,200 to 150 low-income youth who have recently aged out of San Francisco's extended foster care and juvenile probation systems. The pilot will support these youth for 18 months, and fund ongoing research into the impacts and long-term outcomes of this program.

FCS is also leveraging state grant funding from the California Department of Housing and Community for services designed to reduce emancipating NMD and former foster youth homelessness. Youth in this program receive housing navigation, housing case management services, and subsidized housing for up to three years with an option to extend for an additional two years.

Another area of program development in FCS has been the availability of emergency placements. FCS developed a system of emergency foster homes and placements for children, prior to the closure of the Child Protection Center (CPC) in November of 2019 due to Continuum of Care Reform (CCR) regulations. This included a contract to maintain

SAN FRANCISCO
HUMAN SERVICES AGENCY

P.O. Box 7988
San Francisco, CA
94120-7988
www.SFHSA.org

a network of emergency foster homes, as well as a contract to address the placement of high-needs youth (e.g., those with mental health issues including violence, a chronic tendency to run away, or involvement with sex trafficking). These contracts were funded primarily with County General Fund when they were piloted. In the years since, the State has begun awarding Complex Care funds and establishing processes to assist counties with these placements. Another funding source recently issued by the State is a one-time Children's Crisis Continuum grant, that HSA has used to grow its high-needs placements capacity by ten beds.

Program Support

Staffing Relocations

The Agency's headquarters is located at 170 Otis Street, an eight-story building which houses personnel supporting a wide range of programs and functions, as well as a public-facing service center for families, garage space for a significant portion of HSA's fleet, and the organization's primary public meeting space. Another large HSA site at 1235 Mission Street serves as the City's entry point for the CAAP program, provides public access to SFBN services, and contains 88,000 square feet of back-office space for support staff. Over the past six years, evaluations of these two buildings have identified major seismic deficiencies, leading HSA to pursue permanent relocation of staff and operations from both sites.

Working with GSA's Real Estate Division, HSA has been developing plans for relocations from both sites. This relocation will accomplish two goals: 1) moving staff out of the seismically unsound 170 Otis and 1235 Mission buildings, and 2) relocating staff across the City in ways that strategically bring HSA services closer to where HSA's clients reside.

Human Resources/Hiring

The City as a whole has faced challenges filling vacant positions in recent years, and HSA has not been exempt from this trend. Recruitment has grown more difficult due to limited pools of eligible candidates, an increasingly competitive labor market, and lengthy City hiring timelines. This has made it more difficult for BFS programs to provide quality services to clients in a timely manner and retain an adequate workforce

P.O. Box 7988
San Francisco, CA
94120-7988
www.SFHSA.org

to meet existing service demands. In ESSS Programs, it currently takes over a month to process an application in Medi-Cal and CAAP, three weeks in CalFresh, and about two weeks in CalWORKs. In Family & Children's Services, vacancies have negatively impacted Program's ability to transport and supervise children during sibling and parent visits, which are not only essential events to maintaining familial bonds but also required steps toward family reunification.

The Agency has increased resources dedicated to recruitment and outreach efforts, participating in a number of hiring fairs both virtual and in-person, as well as bolstering the number of employment platforms, publications and professional/nonprofit/social networks where HSA job opportunities appear. The Human Resources (HR) division has also leveraged Citywide procedural modifications to streamline the hiring process wherever possible, plus amplified the frequency of communication and information-exchange between HR staff and programmatic/administration divisional leadership in order to stay ahead of critical, personnel-related developments. These efforts have helped bring HSA's vacancy rate down to under 9% today compared with 15% two years ago. Although the Mayor's current proposed hiring freeze threatens to erode this progress, the Agency will strongly advocate for the office's support to continue these efforts.

Next Steps

HSA will finalize its proposed budget and program initiatives for FY 2025-26 and FY2026-27 over the coming two weeks. This proposal will be presented for your review and approval at a special meeting of the Human Services Commission on February 11th.