SAN FRANCISCO HUMAN SERVICES AGENCY
Department of Disability and Aging Services

MEMORANDUM

To:	**Department of Disability and Aging Services (DAS) Commission**
Through:	**Kelly Dearman, DAS Executive Director**
From:	**Daniel Kaplan, Deputy Director for Administration and Finance, Human Services Agency (HSA)**
Date:	**February 5, 2025**
Subject:	**Disability and Aging Services Budget for FY 2025-26 & FY 2026-27**

Through this memo, we present for your review and approval the Department of Disability and Aging Services' budget proposal for FY 2025-26 and FY 2026-27. Like HSA more broadly, DAS has constructed this plan upon two guiding principles: to maintain core client services, and to seek out opportunities to repurpose resources, including current positions and/or vacancies, to meet emergent needs. However, the severity of the forecasted Citywide deficit – almost $876 million over the upcoming biennium – plus the likely, consequent loss of Dignity Fund growth – $3 million per year – are both factors which inherently inform this proposal.

As per instructions from the Mayor's Office, DAS's FY 2025-26 and FY 2026-27 proposed budgets include significant, ongoing reductions to discretionary General Fund levels in order to meet the City's mandated, ongoing cut target of 15 percent for all departments. For HSA as a whole – including both departments and its shared administrative infrastructure – this translates into ongoing reductions as follows:

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

To stay true to its mission and priorities, DAS proposes to afford its share of the agency's reduction targets – $2 million – by:

- Foregoing program expansions and new service agreements
- Rightsizing grants to community-based organizations (CBOs) to match service levels and outcomes
- Working with providers to improve the cost-effectiveness of service delivery
- Optimizing its use of existing full-time employees (FTEs) and vacancies

In the months ahead, DAS will be working closely with community partners, agency leadership, and the Mayor's Office to develop a detailed program- and contract-level plan that remains responsive to the needs and priorities of older adults, people with disabilities, and veterans.

Mayoral budget instructions

The Mayor's Budget Office has identified its budget priorities as:

- Improving public safety and street conditions
- Reducing homelessness and transforming mental health service delivery
- Finding opportunities to improve efficiency and transparency in all areas of City operations and spending

In addition to the aforementioned, mandatory financial reductions, the Mayor's Office has also instructed departments to:

- Immediately pause work related to launching any new programs or contracts (continuing existing services is allowed)
- Immediately freeze hiring Citywide with exceptions for public safety and health-related positions, as well as ones which are historically challenging to fill
- Assess all contracted services for efficiency and performance with the goal of eliminating the least-effective, non-essential programs and/or services
- Keep all offices open and maintain core government service delivery

State and federal considerations

The governor's proposed budget, released on January 10, 2025, reflects a better-than-expected economic picture for California over the three-year time horizon with which the state conducts its budgeting. During that period, a $16.5 billion surplus is projected, largely attributable to increased tax receipts due to a relatively robust stock market and the consequent growth of capital among high-income Californians. Operational efficiencies, such as the elimination of approximately 6,500 vacant state government positions, cuts to travel budgets, and modernization of state Information Technology systems were also cited as sources of the estimated surplus. The proposed budget, therefore, maintains core health and human services programs, with no proposed cuts and modest caseload-driven growth in a few areas – In-Home Supportive Services (IHSS) in DAS, for example.

While the governor's budget is balanced and does not anticipate a recession, it does rely on state reserves in the near-term and forecasts shortfalls in subsequent years driven by expenditures exceeding revenues. It also notes that federal policy changes from Washington could negatively impact California's economy. Furthermore, the budget was released simultaneously with the devastating wildfires in Southern California, whose ultimate financial impact remains unclear at this time. Any changes and impacts to the state's fiscal standing will be adjusted in the May Revision to the Governor's January proposal.

At the national level, the new administration and congressional majority are expected to reshape the federal government's regulatory and fiscal landscape. In its post-election analysis, the County Welfare Directors Association (CWDA) anticipates potential cuts to

Medicaid (Medi-Cal) and the Supplemental Nutrition Assistance Program (CalFresh), among other safety net programs. CWDA also suggests that it may become more difficult for benefit seekers, especially immigrants, to obtain assistance.

DAS budget proposals for FY 2025-26 and FY 2026-27

Budget totals

DAS is proposing a $548.8 million expenditure budget for FY 2025-26. This amount represents a $38.9 million, or 7.6 percent, increase over the Department's FY 2024-25 original budget of $509.8 million. The Department is projecting $358.4 million in revenues for FY 2025-26 – a $33.4 million, or 10.3 percent, increase over the $325 million in revenues in DAS's FY 2024-25 original budget.

As compared to its FY 2024-25 original budget, DAS's current proposal anticipates a $40.3 million increase in the Aid payments budget, a $5.5 million decrease in expenditures through contracts with community-based providers, and a $3.7 million increase in expenditure for salary and fringe benefits.

DAS's proposed budget for FY 2026-27 is similar to its proposal for FY 2025-26. Differences included at this point consist solely of increases to its IHSS aid program budgets and to salary and fringe benefit costs.

Dignity Fund

This proposal omits the $3 million in Dignity Fund growth in both the FY 2025-26 and FY 2026-27 budgets. This is because the City's projected deficits, in both years, exceed the $249.3 million threshold for baseline growth suspension as per the Five-Year Financial Plan/Joint Report published in December. A final determination on FY 2025-26 Dignity Fund growth will occur based on the March 2025 update to the Joint Report.

Reduction strategies

Given this outlook, DAS plans to implement a mix of expenditure adjustments that will meet both the Mayor's requested reduction targets, while preserving its ability to provide core services that promote the health, safety, and independence of the populations it serves, especially through times of economic uncertainty.

Pausing new work

Except for mandated enhancements, DAS has paused work related to new grants and contracts where agreements have not yet been executed. All City departments have been instructed to do the same for the foreseeable future.

Grant and contract right-sizing and other adjustments

DAS will also seek to achieve ongoing savings through reductions to its budget for services carried out by its network of community-based organizations. The Office of Community Partnerships will work with its grantees to right-size contracts based on historical underspending, cost efficacy, and strength of program outcomes. The specific shape of these adjustments will be the subject of ongoing conversations with clients, community partners, and the Mayor’s Budget Office over the next few months.

Initiatives and Enhancements

IHSS Maintenance of Effort

HSA projects the IHSS Maintenance of Effort (MOE) cost will increase by $14.7 million in FY 2025-26, and by an additional $20.6 million in FY 2026-27, for a cumulative increase of $35.3 million, relative to the projected FY 2024-25 MOE. The IHSS MOE represents the local share of IHSS program costs. Cost growth is attributable to: a) required 4% inflation on the MOE; b) negotiated wage increases and estimated cost increases for health benefits for IHSS providers; and c) increases in the hourly rate paid for contract mode IHSS services.

IHSS Telehealth Reassessments

In the upcoming fiscal year, California’s Department of Social Services will require IHSS programs statewide to offer a telehealth reassessment option to IHSS recipients who have already received at least their initial assessment, as well as one subsequent reassessment, through the traditional, in-person protocol. Additionally, clients must have maintained functional stability over the past year to be eligible for the telehealth option. All IHSS recipients may continue to receive in-person reassessments in their home, if they prefer. The telehealth option has the potential to increase IHSS reassessment compliance rates by making the process more efficient for social workers facing ever-growing caseloads.

Nutrition Services

Following the Dignity Fund four-year funding cycle by service areas, FY 2025-26 will focus on the Nutrition & Wellness and Self-Care & Safety program groups. With a new allocation of funding unlikely, DAS plans to repurpose budgetary savings from FY 2023-24 to reinforce nutrition services. First, funding will be utilized to continue to meet demand and cost increases for current service levels. Funds will also be allocated to address the wait list for DAS’s home-delivered meals program. DAS maintains a centralized waitlist for its home-delivered meals program and uses this information to inform its understanding of community need. The current waitlist indicates a need for increased capacity particularly for Chinese and Japanese cuisine options. Office of Community Partnerships staff will work through the request for proposals process to increase capacity in home-delivered meals programs and reduce the waitlist.

Community Needs Assessment

The Dignity Fund operates on a four-year planning and funding cycle. This process starts in year one with the development of a robust community needs assessment to identify service gaps and unmet needs. The subsequent report serves as a guiding document to DAS’s priorities and allocation plans. FY 2025-26 will be a year in which a new community needs assessment process is completed. Development of the community needs assessment is led by staff from HSA Planning Unit and DAS' Office of Community Partnerships. Collection of community input is highly valued in this process and multiple avenues for collection of feedback will be established. In the past, this has included a widely disseminated survey, in-person and virtual public forums, focus groups, and individual interviews. The completed community needs assessment report is projected for release in Spring 2026.

35th Anniversary of the Americans with Disabilities Act - Grand Opening of the Disability Cultural Center Site

July of 2025 will mark 35 years since the enactment of the Americans with Disabilities Act (ADA). The ADA prohibits discrimination based on disability and creates a legal framework for improved recognition and inclusion of people with disabilities. In recognition of this landmark legislation, each July also serves as Disability Pride Month. Disability Pride Month is a time to recognize and celebrate the history and experiences of the disability community. DAS plans to mark the July 2025 Disability Pride Month with multiple events, including the grand opening of the San Francisco Disability Cultural Center (DCC) space across from City Hall on Grove Street.

Many years in the making, the DCC has been a priority for DAS. A grant agreement for a non-profit community-based organization to lead the operation of the DCC began in October 2023. A virtual DCC, offering online programming, launched in summer 2024. Summer 2025 will mark the completion of new construction which will host the brick-and-mortar home of the DCC. The site is a ground floor space in a larger housing complex, which includes housing reserved for people with disabilities. The brick-and-mortar DCC will offer in-person programming and serve as a hub for services to the disability community.

Position actions

In its FY 2025-26 and FY 2026-27 budgets, DAS proposes to substitute three positions commensurate with current workload, complexity, and professional standards. The net cost of these position substitutions is estimated to be $124,553.

Required action and recommendation

With this memo, we request approval of the proposed FY 2025-26 and FY 2026-27 budgets for the Department of Disability and Aging Services.