



## 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: January 7, 2026**  
**Subject: Disability and Aging Services Budget for FY 2026-27 & FY 2027-28**

In accordance with the City's Administrative Code, each year the Department of Disability and Aging Services (DAS) presents to the DAS Commission two updates on the budget process for the upcoming biennium: one in January and another in February.

In the present January memo, DAS provides context regarding the economic climate at the local and state levels, a summary of the Mayor's budget instructions and priorities, and highlights of program accomplishments and upcoming challenges. Within this landscape, DAS seeks feedback from the Commission, and the public, on priorities which will guide the development of the Department's budget for FYs 2026-27 and 2027-28.

### 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 \$936 million is anticipated in the upcoming biennium, composed of a roughly \$296 million shortfall in FY 2026-27 and a further \$640 million gap in FY 2027-28. Conditions only worsen thereafter with an estimated deficit of a little less than \$1.2 billion by FY 2029-30.

Although local tax proceeds – particularly from business taxes – are projected to come in higher than previously expected, the City's rate of expenditure growth far outpaces revenue inflows to the General Fund. The primary drivers of increased costs include salary and fringe benefits for City staff, required contributions to City baselines, and inflationary pressures on Citywide operating costs related to contracts, leases, materials and supplies, and grants to community-based organizations (CBOs).

Additionally, the City expects a loss of roughly \$300 million in revenue due to the federal H.R. 1 bill over the next two years, driven by both administrative cost shifts and eligibility policy changes. The City's financial projections also rely on General Fund balance in the second year of the biennium in order to smooth the multi-year deficit. There is, furthermore, considerable risk to the city's economy in the near-term owing to volatility in federal policy and funding, financial shortfalls at the state level, as well as declining property values in San Francisco, which commensurately impact local property tax revenues.





As a result, the Mayor's Office is seeking \$400 million in ongoing Citywide savings starting in FY 2026-27. Unlike previous years, the Mayor's Budget Office (MBO) has not mandated a specific percentage by which departments must cut spending in order to achieve this goal. Instead, it has instructed departments to reorient spending toward 2026 priority core services, continue to reduce structural deficits wherever possible, and invest in long-term operational efficiencies.

Strategies specifically outlined in the MBO's budget guidance include:

- Eliminating discretionary programs;
- Restructuring departments around current staffing levels;
- Reducing Citywide interdepartmental services costs and/or overhead;
- Shifting duplicative or common services toward a centralized model;
- Identifying technology and procurement savings;
- Reviewing grants and contracts for measurable outcomes and financial efficiency; and
- Proposing near-term investments for long-term cost savings.

In addition to these priorities within the budget-making context, the MBO also enumerated the Mayor's overarching priorities for the biennium, which include: keeping streets safe and clean, improving health and wellbeing outcomes for San Franciscans, revitalizing the local economy through a variety of means, making the city more affordable and livable for families, strengthening city arts and cultural activity, and improving government effectiveness through investments in systems modernization, data analytics, technology and workforce talent.

In order to manifest these goals, the MBO will work with departments in the coming weeks to develop tailored budget proposals which consider the strategic, discretionary and legally-mandated services departments currently deliver, and focusing departmental efforts on core City services in alignment with Mayoral priorities.

## State Budget

Recent projections suggest that the State is facing challenges similar to those projected for San Francisco. The California's Legislative Analyst's Office (LAO) is estimating an \$18 billion budget shortfall for the State in FY 2026-27, despite robust revenue collections at the state level in the current year – almost \$6 billion above what was forecast as of November. The projected shortfall includes the effects of the federal H.R. 1 bill, but makes no assumptions about future federal policy changes, which are perceived as being especially difficult to forecast at present. The LAO's view reflects a softening in stock market returns, which have buoyed the State's revenues in the last six months, while noting that sales and corporation taxes have remained flat. Moreover, revenue improvements are estimated to be almost entirely offset by constitutional spending/funding requirements for schools and community colleges, maintaining reserves, and meeting debt obligations.





According to the LAO, the State is also expected to face structural budget deficits of approximately \$35 billion starting in FY 2027-28, which are liable to severely limit the capacity for new commitments without significant budgetary solutions (i.e., spending reductions, increased taxes, etc.).

The Governor will release an update on the State's fiscal outlook, along with his proposed plan for the upcoming budget year, in January.

## HSA Budget Priorities

HSA is using the following principles in building its proposed budget:

- Maintain core services that meet clients' basic needs and fulfill both new and existing mandates;
- Pursue creative cost-saving strategies that minimize negative impacts on clients, staff, and operational efficiency;
- Look for opportunities to repurpose existing position vacancies and funds to meet new needs; and
- Maximize revenue opportunities with our state and federal partners.

## DAS Program Highlights

As DAS prepares its budget submission, it is looking at community needs and key organizational issues across the Department. Below are highlights of those current-year developments and accomplishments that will shape the budget-planning process.

### Direct Services Division

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#### In-Home Supportive Services

San Francisco's In-Home Supportive Services (IHSS) program continues to provide critical support to more than 32,000 individuals locally. Although there has been a slight expansion in the City's Independent Provider (IP) workforce, from roughly 27,000 to 28,000 individuals over the past year, the environment of caregiver scarcity continues to be a challenging issue. The paucity of available IPs is not unique to San Francisco, but is being experienced throughout the state, and nationally. California's Master Plan for Aging has identified caregiver recruitment and retention as a key priority. In San Francisco, the IHSS program is supporting the IHSS Public Authority's (PA) caregiver-recruitment efforts, along with providing tangible resources and assistance to recipients and active providers.

#### *IHSS Telehealth Reassessment Option*

On May 1, 2024, the California Department of Social Services (CDSS) received approval from the Centers for Medicare and Medicaid Services to update the Medicaid State Plan





Amendments (SPA) to allow county IHSS programs to conduct reassessments via telephone or video call for eligible recipients who opt in, and who have had at least one in-person reassessment in the past. CDSS, with input from counties, established eligibility factors for telehealth reassessments. Some of those eligibility factors are as follows:

- Stable care needs – this excludes minor IHSS recipients, as their continued growth and development result in changes in their care needs;
- No known incidents involving Adult Protective Services (APS);
- No documented concerns regarding the recipient's health and safety;
- No hospitalizations or admittance to an overnight facility for 24 hours or more, as well as no multiple emergency room or urgent care visits within the last three months;
- No gap in provider services in the last six months.

Telehealth reassessments are not a new practice, as they were utilized during the height of the COVID-19 State of Emergency when counties were granted the ability to suspend in-person assessments/reassessments. San Francisco, however, re-launched the telehealth reassessment option in the fall of this year. IHSS staff and DAS leadership are optimistic that offering telehealth reassessments will enable personnel to manage their ever-expanding caseloads via timelier contact with recipients, which should result in reassessment compliance gains in the program at large.

#### ***State Compliance: Community First Care Option (CFCO) Recipients – New Mandate***

In-Home Supportive Services is comprised of four sub-programs which include: IHSS-Residual (IHSS-R), Personal Care Services Program (PCSP), IHSS Plus Option (IPO), and Community First Choice Option (CFCO). These categories correspond to the characteristics of the IHSS consumer, while also having important implications on how that recipient's care is funded. All IHSS recipients, regardless of program category, are required to have at least one annual reassessment, and these are carried out by DAS-IHSS staff.

CFCO is a Medicaid program established under the Affordable Care Act (ACA) to expand access to Home and Community-Based Services (HCBS) for individuals with complex medical/health conditions that would otherwise necessitate a skilled nursing/institutional facility. Due to the vulnerability of CFCO recipients, and the client-centered goal of allowing them to remain in the least restrictive community-setting of their choice, the federal government currently provides an enhanced rate of reimbursement – six percent above what it pays for other eligible IHSS types – for CFCO cases.

When reassessments are not conducted within the mandated annual timeline, however, the federal government penalizes states by withdrawing its enhanced funding until cases are compliant. Previously, California did not pass these penalties – and resultant state revenue shortfalls – along to its constituent counties. Effective July 1, 2025, however, the State began assessing a three percent penalty on counties related to all CFCO cases which are not compliant with the 12-month reassessment rules. The penalties are incurred/assessed monthly and collected quarterly.





In order to meet the new compliance requirements, and thereby minimize penalties incurred locally, the IHSS program launched a targeted project during in the first quarter of the current fiscal year to address the considerable backlog of San Francisco CFCO cases overdue for reassessment. In the first part of this fiscal year, almost all of the overdue assessments have been completed, greatly reducing the penalty assessed against San Francisco. The City now faces the challenging task of delivering timely reassessments to all of the IHSS subgroups previously mentioned in an atmosphere of diminishing resources. While CFCO case delinquency now carries a direct financial price, all IHSS consumers are, of course, entitled to annual reassessments in order to maintain sufficient levels of care.

### *Local Maintenance of Effort Costs and IP Wage Increases*

During the spring of FY 2022-23, a new labor agreement between the IHSS Public Authority (PA) and Service Employees International Union (SEIU) Local 2015 was negotiated, and a new Memorandum of Understanding (MOU) between the parties was established. This new contract commenced on July 1, 2023, and codifies a series of wage increases for IHSS Independent Providers through FY 2026-27. During that four-year period, the hourly IP wage grows from \$19.25 to \$25.50.

The State's Maintenance of Effort (MOE) framework – the mechanism by which counties pay for the local share of IHSS program costs – is driven by three factors: a) locally-negotiated increases to IP wages and benefits, b) increases to the hourly rate paid for contract mode IHSS services, and c) a mandated four-percent inflation factor applied to the MOE base each year. While inflation accounts for the largest share of expansion in the City's MOE obligation each year, increases to IP wages and benefits also have a significant impact.

Since the current agreement between the PA and SEIU ends on June 30, 2027, the City will need to negotiate a new MOU to take effect on July 1, 2027. Because this date coincides with the commencement of the second year in the biennial budget currently under development, estimates based on the Consumer Price Index (CPI) are employed to make projections about the potential MOE and IP wage expenditures in the FY 2027-28 portion (i.e., the second year) of the DAS budget under development.

On July 1, 2025, the IP wage increased from \$22.00 to \$22.50, with an additional \$0.50 increase implemented on January 1, 2026, concurrent with the increase in the state minimum wage. Per the terms of the MOE legislation, statewide minimum wage increases are added to the IP wage at no additional cost to California counties. Therefore, on January 1, \$0.40 of the increase was added to the IP wage in San Francisco with no new, local cost, while the additional \$0.10 did increase the City's MOE obligation.

The City's MOE requirement is projected to be \$202.3 million in FY 2025-26, increasing to \$222.6 million in FY 2026-27 and to \$244.5 million in FY 2027-28 (based on the CPI forecast).





### **Adult Protective Services**

Adult Protective Services (APS) continues to field a growing number of referrals. APS receives and responds to reports of suspected abuse, neglect, self-neglect and financial exploitation of older adults and adults with disabilities residing in the community; that is, outside licensed facilities. The division had been investigating approximately 7,000 reports per fiscal year since FY 2016-17, but during FY 2021-22, that number jumped to 7,952 reports, with a further increase of over 24 percent in the past four years, with 9,855 reports in FY 2024-25. This was a result – on top of the natural growth in San Francisco's older adult population – of California Assembly Bill 135, which expanded the APS program to provide services to at-risk adults earlier in their lives, and before reaching a crisis point. The new law expanded the definition of “older adult” for APS program eligibility from 65 to 60 years of age, effective January 1, 2022. The law also requires APS programs across the state to provide longer-term case management for those with complex needs and encourages the development of multidisciplinary teams to increase systems-level collaboration.

### ***High-Risk Self-Neglect and Adult Maltreatment Multidisciplinary Teams***

Now in their fourth year of operation, with the participation of other City departments/entities such as the Department of Homelessness and Supportive Housing (HSH), the San Francisco Fire Department (SFFD), the Department of Public Health (DPH), the University of California San Francisco (UCSF), the San Francisco District Attorney's Office (DAT), the San Francisco Police Department (SFPD), and a community-based partner, Institute on Aging (IOA), these multidisciplinary teams continue their focus on coordinating interventions to assist individuals with complex needs. The combination of proficiencies brought by the participating agencies has helped to diminish silo effects and fostered advantageous information exchange, such that team stakeholders engaged in the same, or related, work are more thoroughly aware of the array of options available throughout the City. APS contracts with IOA to coordinate and facilitate this multidisciplinary effort and monitor intervention outcomes.

### ***Home Safe***

As part of the Budget Act of 2025, the California Department of Social Services (CDSS) has allocated funds to continue the APS Home Safe program through FY 2027-28. The current program expansion has allowed San Francisco's APS program to leverage a total of \$3 million in state funding through 2028, with no county match requirement.

The APS division's current-year Home Safe efforts continue to focus on eviction prevention services targeted to assist low-income older adults, and adults with disabilities, who are at imminent risk of homelessness due to self-neglect. Intensive case management remains an integral part of the division's Home Safe regimen and is paired with purchase of service dollars which can be utilized to pay for critical services to provide emergency shelter, as well as maintain the habitability of client living spaces.





From its 2019 inception through June 2024, Home Safe has served more than 550 unduplicated clients at risk of, or experiencing, homelessness. The new, one-time state funding will allow APS to serve an estimated 145 clients annually for the next three years.

### **Public Administrator, Public Conservator, Public Guardian, and Representative Payee**

The authority conferred on the Public Administrator (PA), Public Conservator (PC), and Public Guardian (PG) programs is codified in state law. These DAS units operate either fully, or in part, under the supervision of the San Francisco Probate Superior Court, with the DAS legal division serving as in-house counsel for the Public Administrator and Public Guardian offices. The Representative Payee (RP) program serves as a substitute payee, as designated by the Social Security Administration, for individuals who have difficulty managing money or their financial affairs, many of whom are also conserved by the Public Conservator. Collectively, these divisions serve around 2,000 vulnerable individuals who have health, mental health, and/or financial difficulties, as well as administer the estates of over 900 deceased San Franciscans.

### ***Public Conservator***

It has been almost two years since the implementation of Senate Bill 43 (SB43), which expanded the legal definition of grave disability to include those living with severe substance use disorders and those unable to provide for their own personal safety and/or medical care.

The active PC caseload in November 2025 is approximately four percent higher than the active caseload in November 2023, the base year for comparison of caseload trends before and after the SB43 conservatorship expansion. Similarly, compared to the number of conservatorship petitions the PC filed with the Superior Court from January to November 2025 to the same period in 2023, there has been a fifteen percent increase in petitions filed. Since both the management of the active caseload, as well as the filing of new petitions, constitute the division's ongoing workload, the demands on this group's resources have increased notably in recent years.

DAS and DPH have worked continuously to meet challenges and embrace opportunities brought by SB43. Multiple City departments meet weekly to successfully move community-based Lanterman-Petris-Short (LPS) referrals forward in the conservatorship process. A variety of issues, barriers, and resources are being managed on a case-by-case basis through this collaboration, with the goal of ensuring that case criteria are met, care plans are managed, and civil rights are protected.

Additionally, DAS and DPH recently implemented two pilot programs to address systemic barriers. The first initiates long-term placement referrals from the community, bypassing the typical requirement of the referrals coming during a hospital admission. The second pilot program – developed in collaboration with HSH – leverages shelter placements to stabilize conservatees until the recommended level of care is identified and procured.





The program continues to have significant challenges around staff workload, recruitment, and retention. While there have been some systems/process successes related to SB43 implementation, individual caseloads have grown to what increasingly appear unsustainable levels. DAS will continue looking for ways to maximize current resources to ensure the PC division is able to carry out its important, mandated work.

## Community Services Division

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### **Benefits and Resource Hub**

The DAS Benefits and Resource Hub (BRH) – comprised of the Integrated Intake and Eligibility units, plus the County Veterans Service Office (CVSO) – continues to provide in-person, telephone, and online assistance to all consumers seeking services for older adults, adults with disabilities, veterans, and caregivers.

Integrated Intake works with community partners and uses a no-wrong-door, person-centered approach to provide consumers with a seamless transition to services through a centralized intake helpline. This helpline is operated by social workers who conduct whole-person assessments with potential consumers, as well as advise caregivers and professionals seeking services for DAS clientele.

### *Online Resource Directory (ORD)*

The first phase of the DAS Online Resource Directory (ORD) is currently being finalized to make the tool available to the public on the HSA website in early 2026. The ORD is a dynamic, searchable platform that will help consumers and community partners find information about programs and services for older adults, people with disabilities, veterans, and caregivers in San Francisco. The tool will be accessible, user-friendly, and available in threshold languages. The second phase of the ORD development is its integration into DAS's internal system for Integrated Intake staff to utilize when providing information and referral services to public callers and visitors.

### *BRH Strategic Outreach*

The BRH continues to follow its Strategic Outreach Plan to increase awareness of DAS services and programs in communities that have been historically underserved. Targeted outreach efforts have been completed in Supervisorial Districts 1, 2, 4, and 11 and are now being continued in Districts 3, 5, 9, and 10. Additionally, the BRH has created Program Fact Sheets for all DAS programs (e.g., In-Home Supportive Services, Adult Protective Services, Public Conservatorship, CVSO, etc.) to easily provide consumers information on eligibility and access to services.





### *CVSO Peer Navigator*

The County Veterans Service Office continues to explore and develop a Peer Navigator program to provide peer support to veterans and veteran dependents over the phone, virtually, and in-person at the BRH. The CVSO Peer Navigator can guide clients through the service system for veterans via provision of accurate information, referrals to partner organizations, proactive check-in, and follow-up, with the goal of helping clients receive the benefits and services that they need.

### **Office of Community Partnerships**

The Office of Community Partnerships continues to provide programmatic support and analysis for DAS-funded services operated by community-based organizations. This network of community-based services consists of approximately 250 grant agreements partnering with over 60 different community-based organizations. These services provide support to over 55,000 unique San Franciscans each year.

### *Grand Opening of the Disability Cultural Center*

July of 2025 marked 35 years since the enactment of the Americans with Disabilities Act (of 1990). DAS was a proud participant in multiple events celebrating this milestone. It was with great pride that DAS participated in the grand opening of the brick-and-mortar home of the City's Disability Cultural Center (DCC) in the Civic Center district. The DCC itself looks out to City Hall from a ground-floor location. It is situated in a larger housing complex which includes housing reserved for people with disabilities. The DCC now offers in-person programs and services informed by, and relevant to, people living with disabilities. To maximize access and participation, virtual (and hybrid) programs and services are ongoing. The DCC also has open hours for community members to gather with friends or just drop in and enjoy the comfortable and disability-friendly setting.

### *Nutrition Services and Budgetary Challenges to Meet Demand*

Flat funding for nutrition programs, coupled with increasing costs, has weakened community-provider purchasing power and forced a decline in the Department's ability to meet public demand for nutrition programs. As of July 1, 2025, this entailed the closure of five congregate meal sites, plus the reduction of weekend services at five other DAS meal sites. The home-delivered meal program's ability to add new clients is extremely limited, while demand for the service grows unabated. Hence, there continues to be a waitlist in San Francisco for home-delivered meals.

DAS will repurpose budgetary savings from FY 2024-25 to mitigate these challenges to some extent. Three of the five closed sites will return to service in Fall/Winter 2025/2026. Two of the closed sites will remain closed. Discussions are currently underway to bring back at least some of the reduced weekend services. Savings will also be utilized in home-delivered meal programs to expand capacity and increase the ability for service providers to enroll clients





from the waiting list. Use of budgetary savings for nutrition programs creates only a *temporary* solution to this funding shortfall and diminishment of services. The Department will almost certainly face this challenge again going forward.

### *Dignity Fund Community Needs Assessment Process*

Summer 2025 was the kick-off of the Dignity Fund Community Needs Assessment. This is a once-every-four-years process and is critical to the Dignity Fund and larger DAS planning process. It is also required as part of the Dignity Fund legislation. The report created as a part of this process serves as a guiding document for the Department's priorities and allocation plans for the next four years.

Work on this plan has been led by a collaboration between HSA Planning Unit staff and DAS' Office of Community Partnerships. As of the time of this memo, these teams have completed the community input portion of the process. The community input portion included 11 in-person community forums (one per supervisorial district), one Citywide virtual forum co-hosted with the DCC, 14 focus groups, and the administration of a survey instrument. The Department is very pleased with the results of this initial phase. Forums were well-attended, focus groups were active, and the project exceeded its goal for surveys completed. This process created pathways for thousands of people to provide their feedback on the needs in their communities. Preliminary findings from this process were released in December 2025, with a full report to be issued in Spring 2026.

### **Office on Disability and Accessibility**

Over the past year, the Office on Disability and Accessibility (ODA) advanced Citywide accessibility through coordinated efforts across compliance systems, capital investments, policy development, workforce inclusion, disaster preparedness, and community leadership.

ODA launched a Citywide Community of Practice for ADA Coordinators, delivering trainings on architectural access, Deaf and Hard of Hearing access, and Web Content Accessibility Guidelines digital standards, while evaluating the business requirements for a Citywide grievance tracking and transition planning system with the Recreation and Parks Department (RPD), the Department of Public Works (DPW), HSH, and HSA Information Technology. During this period, ODA processed 233 ADA grievances with a 90 percent resolution rate, strengthening accountability and responsiveness.

Transition planning and capital initiatives achieved major milestones, including: securing full funding with DPW for the Hallidie Plaza renovation; launching the SOMARTS Center LULA elevator project in partnership with the Arts Commission to create second-floor kiln access; initiating the City Hall lift replacement with the City Administrator's office; advancing the Sunset Dunes accessibility and pedestrian safety improvements in conjunction with RPD; and successfully advocating for increased investment in the curb ramp program in partnership with DPW.





While ODA oversees the City's Title II ADA programmatic access compliance, the office also partnered on Title I workforce accessibility initiatives, delivering Citywide disability employment trainings with DHR and HSA during Disability Employment Awareness Month.

Policy leadership included the Beyond the Front Door small business accessibility initiative – co-convened with the Office of Small Business and the Department of Building Inspection and supported by the production of two public education videos; co-development of the Aging & Disability Affordable Housing Implementation Plan; and co-facilitation of the Disability Forward Housing Futures Summit with The Kelsey.

Ongoing challenges include continuing rollout of a fully integrated Citywide grievance management system; navigating rising construction costs and fiscal uncertainty affecting accessibility projects; providing adequate support for ASL Interpretation and language access requests across the City; and finalizing Administrative Code updates to align ODA's authority and operations.

## Next Steps

At the regularly scheduled meeting of the Department of Disability and Aging Services Commission on February 5, DAS and HSA staff will present a full proposal of the DAS budget for FY 2026-27 and FY 2027-28 for the Commission's review and final approval.

