

CITY & COUNTY OF SAN FRANCISCO  
HUMAN SERVICES AGENCY

## DHS & DAS FY20-21 & FY21-22 Budget Resubmission



### Human Services and Disability and Aging Services Commissions – June 2020



CITY & COUNTY OF SAN FRANCISCO

# May Citywide Budget Shortfall Projections

- December Shortfall Projection: \$419.5M
- March Projection: \$1.1B - \$1.7B
- **May Projection: \$1.7B**
- Key assumptions:
  - Labor wage delay triggered; revised CPI assumptions
  - Assumes no additional COVID-related costs in 20-21 and 21-22
  - Assumes no additional support, or loss, of State and Federal revenues
  - ERAF not assumed in deficit projections

# Mayor's Revised Budget Projections

## FY19-20 through FY21-22

Citywide Projected Shortfall (in millions)	FY19-20	FY20-21	FY21-22
Total Revenue Decrease		<b>(650)</b>	<b>(188)</b>
Total Expenditures		<b>(104)</b>	<b>(547)</b>
Salary & Benefits:		(125)	(307)
Baselines & Reserves:		93	21
Departmental Costs:		(6)	(100)
Citywide Uses*:		(66)	(162)
<b>Cumulative Shortfall</b>	<b>(246)</b>	<b>(754)</b>	<b>(735)</b>

\*Citywide Uses include: general operating increases (e.g. minimum wage, utility rates, and debt service), and capital/equipment/IT investments.

# Risk and Uncertainty in Projections

- City will largely deplete CARES Act allocations by July
- Spending needs for the emergency response in FY20-21 largely unknown but assumed to be significant
- Costs shaped by community health risk of unknown duration
- Duration of FEMA reimbursement is a key financial risk
  - FEMA approvals for key programs have been for 30 days at a time
- Possibility of slower or later recovery than assumed
- Level of sustained City response in future years unknown
- State revenue risks; State's budget shortfall = \$54B

# Mayor's Budget Instructions

- Departments must reduce ongoing General Fund budgets by 10% in FY20-21, as well as an additional 5% in FY21-22
- For HSA this translates into total reductions of:
  - \$6,286,341 in FY20-21
  - \$9,429,512 in FY21-22
- HSA already made reductions in its February proposal:
  - \$2,200,219 in FY20-21
  - \$4,400,439 in FY21-22
- **Therefore, HSA must now make further reductions of:**
  - **\$4,086,122 in FY20-21**
  - **\$5,029,073 in FY21-22**
- Contingency proposal of additional 5% in FY20-21 required
- Hiring freeze except for response-related or essential staff
- Pause on all nonessential capital projects
- Refrain from issuing new RFPs until further notice
- Forgo launching new programs

# State Budget Proposals

- Governor's May Revise proposes significant changes in our State revenues, including:
  - Steep projected declines in 1991 and 2011 Realignment, which are tied to State sales tax and vehicle license fees
  - Flat funding of administrative costs in IHSS and Medi-Cal, instead of incremental growth
  - Growth in CalFresh and CalWORKs caseloads with accompanying support for additional work
  - Cuts to child care rates and a number of senior programs
- The Legislature's proposal partially backfills the loss of Realignment revenues, restores the child care rates and senior programs, and preserves increases for benefits programs

# Agency Budget Strategies

- Balance State revenue losses in IHSS Admin and Medi-Cal with proposed growth in CalWORKs and CalFresh allocations
  - Allow for some growth in CalWORKs and CalFresh in response to caseload growth and backlog of casework
- Remove all newly-proposed position substitutions and several State-funded expansions not in the May Revise
- Consolidate staff at new 1650 Mission space; give up leases at several smaller HSA sites
- Redeploy and partially spend down one-time balances in General Fund continuing projects and special funds

# Divisional Budget Strategies

- **ESSS**
  - Growth in the CalWORKs and CAAP caseloads will require additional support, which was accounted for in the City's deficit projection
  - Propose to add \$2.2 M for overtime in SF BenefitsNet
  - Propose to add \$5 M of new CalWORKs funding and rearrange existing Jobs Now budget to increase private sector wage subsidy programs
  - Spend down the IPO wage subsidy project
- **FCS**
  - Make additional targeted contract and work order reductions to address long-term revenue declines
- **HSA Administration**
  - Shift funds from travel, training, and office purchases to support telecommute and PPE
  - Spend down the CalWIN project as part of the transition to CalSAWs



# Divisional Budget Strategies

- DAS

- Pause / delay IHSS Admin wage increase; lowers MOE payment
- Forego annual \$3M growth in Dignity Fund due to revised deficit
- Spend down the SF Connected Project and Dignity Fund to support critical response efforts
- Reallocate contract dollars in OCP to adjust to changed environment

- OECE

- Significant projected reduction in PEEF revenue as a result of declines in general fund tax revenues
- \$3.8 M in growth in CalWORKs Stage 1 as CalWORKs caseload grows
- Refocus spending to preserve system capacity and to maintain service to as many clients as possible in the face of public health guidance that reduces site capacity

# HSA FY20-21 & FY21-22 Revised Budget Timeline

- May 18 Mayor's Budget Instructions Released
- June Interim budget introduced to Board of Supervisors (BoS)
- June 12 Department budget reduction plans due to Mayor
- August 1 Mayor proposes balanced budget to BoS
- August BoS Budget and Finance Committee Hearings
- September Budget considered at BoS
- October 1 Mayor signs budget