

Mayor's Budget Instructions for FY26/27 & FY27/28 and Opportunity for Public Input

January 8, 2026

Presenter:

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Agenda

- Budget Public Input Requirement
- City Budget Overview
 - City Challenges & Priorities
- SFHSS Budget Overview
 - SFHSS Challenges
- Mayor's Budget Instructions
- SFHSS Budget Submission Approach
- Timeline; and
- Board Discussion & Opportunity for Public Input

Budget Public Input Requirement

In accordance with the adopted Budget Approval Process legislation ([Administrative Code Section 3.3](#)) most departments need to hold one public meeting for public input on its departmental budget priorities after the Mayor issues budget instructions in December, and one hearing at least 15 days later and no later than February 14 to solicit public input on their budget submissions.

January 8: Mayor's Instructions

January 20: HSB Finance Committee, Review and Approve Proposed Budget, 1st Opportunity for Public Input

February 12: HSB Regular Meeting, Review and Approve Budget for MBO Submission, 2nd Opportunity for Public Input

CCSF Fiscal Outlook – Major Assumptions Challenges

Current FY25/26:

- Rate of expenditure growth far outpaces the City's General Fund Revenues – creating an **\$876M** two-year deficit **\$253M** deficit in FY 2025-26, **\$623M** in FY 2026-27
- Expenditure growth of **\$1.7B** far surpasses revenue growth of **\$520M** over the next five years.

Upcoming FY26/27:

- Rate of expenditure growth far outpaces the City's General Fund Revenues – creating an **\$936M** two-year deficit **\$296M** deficit in FY 2026-27, **\$640M** in FY 2027-28
- Expenditure growth of **\$1.8B** far surpasses revenue growth of **\$617M** over the next five years.

CCSF Fiscal Outlook – Major Assumptions in Forecast

- **Strong business tax growth; modest local tax growth**, does not assume recession, driven primarily by Gross Receipts tax
- **Revenue loss from H.R.1**: Assumes \$300 million over two years, driven by both administrative cost shifts to local government, and eligibility policy changes
- **Salary & benefits**: Consumer Price Index (CPI) growth on all open contracts assumed July 1 from FY 2028-29 onward; 7.2% rate of return on pension investments; **9% health rate cost growth**.
- **Citywide & departmental costs**: Full funding of Ten-Year Capital & ICT Plans by FY 2027-28; 3% CODB.

Mayor Lurie's 2026 Priorities

Safe and Clean Streets			Economic Revitalization		
Keep Our City Safe Keep all San Franciscans safe through coordinated and proactive public safety efforts.	Transform Our Health and Homelessness Systems Ensure positive long term health outcomes for San Franciscans, including those in crisis on our streets or vulnerable in our communities.	Maintain Clean, Safe, and Welcoming Public Spaces Provide clean streets, inviting parks, and reliable mobility options so people feel comfortable being out in the city.	Revitalize Downtown San Francisco Rebuild a vibrant, mixed-use downtown by bringing people, jobs, housing, and cultural activity back to the city's core.	Make the City More Affordable and Livable for Families Improve quality of life and access to opportunities so children and families can thrive.	Strengthen the City's Economy, Arts & Culture Grow San Francisco's broader economy by supporting key industries, creating good jobs, expanding tourism and cultural activity, and increasing economic opportunity citywide.
Effective Common-Sense Government Modernize the systems and structures that shape how we work, and build the data, technology, and talent capabilities we need to innovate, improve services, and deliver results within our financial means.					

SFHSS Fiscal Outlook

Current FY25/26:

- **Health Benefits Trust**
 - \$1.3B
- **General Fund**
 - \$12.3M Approved Budget
- **Healthcare Sustainability Fund**
 - \$4 per member per month (PMPM) fee increased to \$6 PMPM in Jan. 2026
 - \$5.7M Approved Budget

SFHSS Budget Overview and Challenges

Health Benefits Trust

This fund holds the premiums paid to the carriers for the fully insured plans and the funds to pay claims for the flex-funded/self-funded plans. This Trust is funded by the premium deductions from employers and members.

General Fund (GF)

SFHSS' operating budget and subject to the Mayor's Budget Instructions.

- Reorient SFHSS GF spend to prioritize core services
- To meet budget cuts for FY25/26, SFHSS transferred positions and expenditures from the GF to the HSF

Healthcare Sustainability Fund (HSF)

Fund to support member communications and programs to reduce healthcare costs and member well-being programs.

- Funded by \$6 per member per month (PMPM) charge in benefit costs, which generates an annual revenue of \$5M.
- Our approved expenditures of \$5.7M annually exceeds our revenues.

Mayor's Budget Instructions to Departments

- No specific reduction target was provided to departments. Instead, Departments will work with Mayor's Budget Office (MBO) to:
 - Identify core operational services, strategic, discretionary, and legally mandated programs.
- Prioritize core services and eliminate discretionary programs
- Reduce Citywide General Fund spending by \$400M ongoing through restructured service delivery
- Restructure departments around current staffing levels
 - *Every vacated position will need MBO permission to fill or the role's 2080 hours of work will need to be redistributed amongst staff.*
- Reduce Citywide workorders and / or overhead by 10%
- Shift duplicative or common services toward a centralized model
- Propose near-term investments for long-term cost savings

SFHSS Budget Submission Approach

- Conduct a review of the programs and positions in the Healthcare Sustainability Fund and propose changes to better align with the fund's intention.
- Provide a response to the Mayor's Budget Instructions that identifies SFHSS's mandated, core, and discretionary programs/services.
- Any reduction in staff due to vacancy will require reductions in programs/services, including the recent elimination of a 2820 Senior Health Program Planner position at the direction of the Mayor's Budget Office.

Budget Timeline

January 8: Mayor's Instructions

January 20: HSB Finance Committee, Review and Approve Proposed Budget, 1st Opportunity for Public Input

February 12: HSB Regular Meeting, Review and Approve Budget for MBO Submission, 2nd Opportunity for Public Input

February 23: Budget submission to Mayor's Budget Office (MBO)

March-May: SFHSS responds to MBO questions

June 1: The Mayor proposes a balanced budget to the Board of Supervisors (BOS)

June: BOS Budget and Appropriations Committee hearing

June 11: HSB Regular Meeting, SFHSS presents Mayor's Budget Office revisions

July: Board of Supervisors reviews and adopts budget

Board Discussion & Opportunity for Public Input