

FY 2025-26 Budget Update  
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# Social Services

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FUTURE



# Purpose of this Presentation

- Overview of the Department's revenue and expenditure trends and structural imbalance
- FY 2025-26 budget update
- Look ahead into FY 2026-27



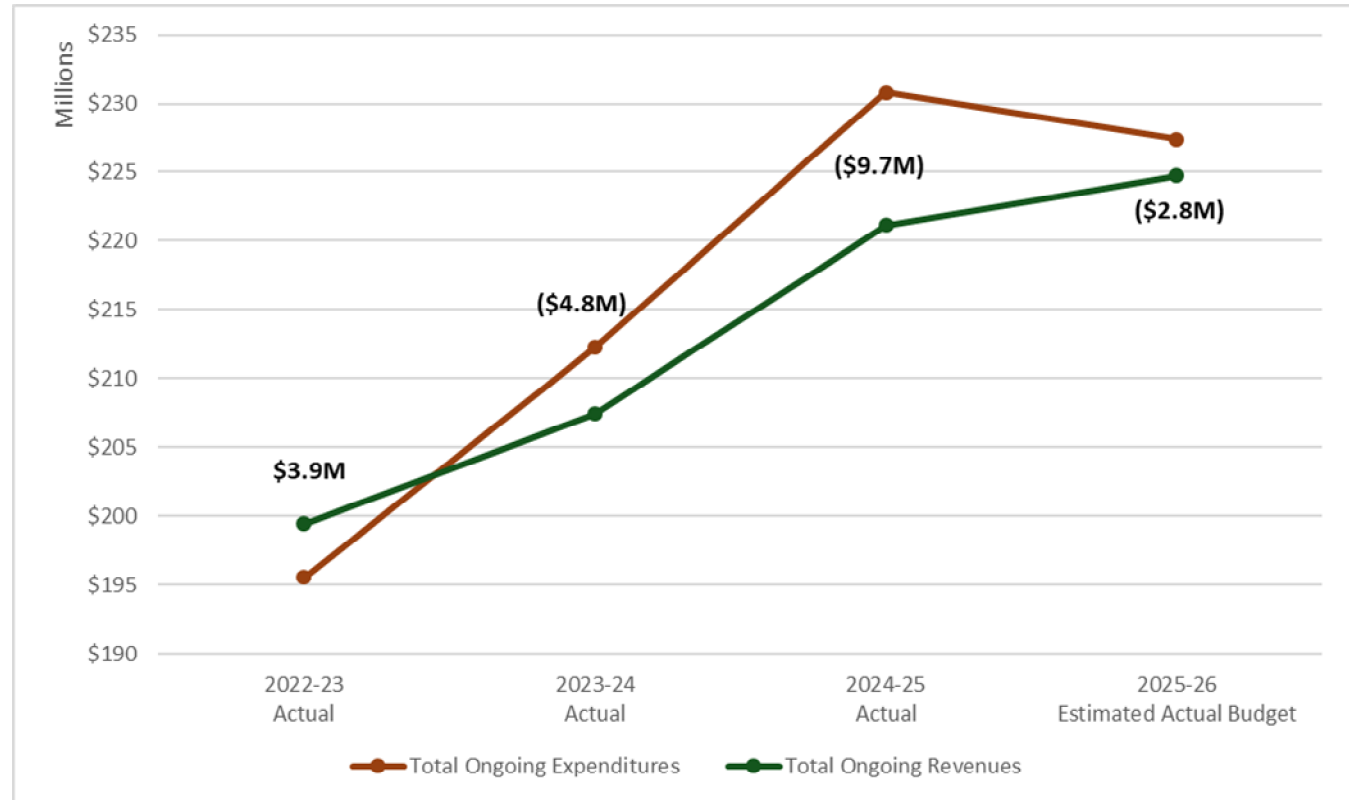
# Revenue & Expenditure Trend

- Significant revenue sources have decreased or remained flat:
  - 1991 and 2011 Realignment revenues have decreased by 6% over a three-year period
  - Freeze on the Medi-Cal Administration allocation will be in place through June 2028
- From FY 2022-23 to estimated adjusted FY 2025-26, significant Department expenditures have increased:
  - Salary and Benefits - 18% increase in average cost per employee
  - Categorical Aid - \$12.4M increase
  - IHSS MOE - \$2.5M increase
  - County Central Services Charges - \$2.2M increase

# Drivers of Structural Gap in FY 2025-26 Adopted Budget

- The Governor's May Revise reduced the anticipated growth in Realignment revenues by **\$1.5 million** beyond the adopted budget amount.
- Recent trends in categorical aid costs (mainly foster care and adoptions programs) indicate that the adopted budget is understated in this area by \$2.6 million (local cost approximately **\$1.3 million**).
- A reduction in the salary savings assumption based on FY 2024-25 actual attrition data and negotiated salary increases resulted in an \$8.9 million increase (local cost approximately **\$1.8 million**) in the Department's salary and benefit costs.

# Structural Deficit



- One-time funding used to close gaps in prior two fiscal years
- Current year gap is \$7.4M
  - One-time funding in current year of \$2.8M to cover categorical aid cost increases
  - Remaining \$4.6M must be solved in current year

# Strategies Implemented to Reduce Budget Gap

- Re-organized divisions and branches to consolidate, where possible
- Held positions vacant (continuing throughout current year and inclusive of anticipated retirements)
- Reduced CWS contracted services
- Eliminated non-emergency overtime
- Eliminated non-essential travel
- Reduced training contracts
- Eliminated computer replacements
- Eliminated vehicle replacements

All program allocations maximized with the exception of CalFresh (due to insufficient local match)



# Remaining Actions Needed to Balance Budget

- Proposed staffing (service level) reductions of 121 funded positions
  - 65 filled positions
  - 56 vacant positions
- 18 job classifications impacted, including
  - Social Services Workers
  - Social Services Case Aides
  - Eligibility Workers
  - Department Business Specialists
  - Administrative Office Professionals
  - Management positions

# FY 2026-27 and Beyond

- \$2.6 million additional General Fund cost for administration of CalFresh program effective 10/1/2026 due to HR-1
- End of \$2.8 million in one-time General County Programs bridge funding
- Ongoing state funding freeze for administration of Medi-Cal program through FY 2027-28
- Minimal growth in state realignment revenues
- Concern about ongoing escalation of categorical aid costs
- Ongoing budget gap: expenses continue exceeding revenues in future years

# Public Impacts

The department will continue delivering core safety-net services, such as Medi-Cal, CalFresh, CalWORKs, In-Home Supportive Services, foster care, and adoptions.

- Families will still be able to access mandated aid programs; benefits will not be eliminated or reduced
- Urgent and high-risk cases will always be prioritized
  - High-risk child and adult protection referrals will still be investigated as a top priority
  - Emergency CalFresh benefits will still be provided within the mandated three-day timeframe
- Process times will likely increase with less staff
  - However, if clients submit an application, payments will be retroactive to application submission
  - Clients will continue to receive benefits even if processing of renewal applications is delayed
- Response times may increase for low-risk cases

# Recommended Actions

That the Board of Supervisors:

- a) Receive and file a report on the Department of Social Services (DSS) budget and fiscal outlook; and
- b) Approve DSS's re-structuring plan which reduces 121 funded positions in the Department's FY 25-26 Adopted Budget; and
- c) Determine that the above actions are not a project under the California Environmental Quality Act (CEQA), because pursuant to sections 15378(b)(4) and 15378(b)(5) the recommended actions consist of organizational, administrative, or fiscal activities of government that will not result in direct or indirect physical changes in the environment.