



**BOARD OF SUPERVISORS  
AGENDA LETTER**

**Clerk of the Board of Supervisors**  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Agenda Number:**

**Submitted on:**  
**(COB Stamp)**

**Department Name:** Social Services  
**Department No.:** 044  
**Agenda Date:** October 7, 2025  
**Placement:** Departmental Agenda  
**Estimated Time:** 1 HOUR  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department Director(s): Daniel Nielson, Social Services Director  
Contact: Rachel Lipman, Chief Financial and Administrative Officer  
**SUBJECT:** Social Services Department FY 2025-26 Budget Update and Rebalancing Plan

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Signed by:

*Daniel Nielson*  
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**County Counsel Concurrence**

As to form: Yes

**Other Concurrence: Human Resources**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**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.

**Summary Text:**

At FY 2025-26 Budget Workshops and Budget Hearings, the Department committed to returning to the Board in the fall to provide an overview of the Department's funding structure and ongoing structural imbalance, propose a plan to address the imbalance, and provide a look into the Department's anticipated FY 2026-27 financial condition. This plan will result in a reduction of 121 funded positions effective January 5, 2026. The change will result in the layoff of some employees, effective January 5, 2026, estimated at 65 FTE.

While the department has faced challenging financial situations in past years, the previously used strategies will not resolve the current fiscal condition. The current drivers for FY 2025-26 and forward include a dramatic and sustained increase in categorical aid payments (with a mandated County match), budgeted use of one-time funds, lack of sufficient County match to fully draw down the CalFresh allocation, decreased realignment revenue growth, a four-year freeze in Medi-Cal administrative funding (typically receiving an annual COLA), and increased costs of doing business.

A staff report accompanying this letter (Attachment A) provides greater detail about Department services, funding structure, proposed budget strategies to balance the current year budget, and a fiscal outlook.

### **Discussion:**

A structural imbalance occurs when a department's ongoing expenditures consistently exceed its ongoing revenues, creating a persistent gap that cannot be resolved through temporary measures. For the Department, this imbalance has been years in the making and is driven by multiple interrelated factors. While revenue growth has remained relatively modest, the Department has faced steadily increasing caseloads and higher demand for mandated services as well as significant growth in mandated cash assistance payments in recent years. Rising operating costs, including wages, benefits, service delivery expenses (such as countywide IT charges, utilities, lease and facility maintenance costs, and liability insurance), and County cost allocation charges, have further compounded the problem. These increases are primarily outside of the Department's direct control yet must be absorbed within the budget each year, as is the case for all County departments.

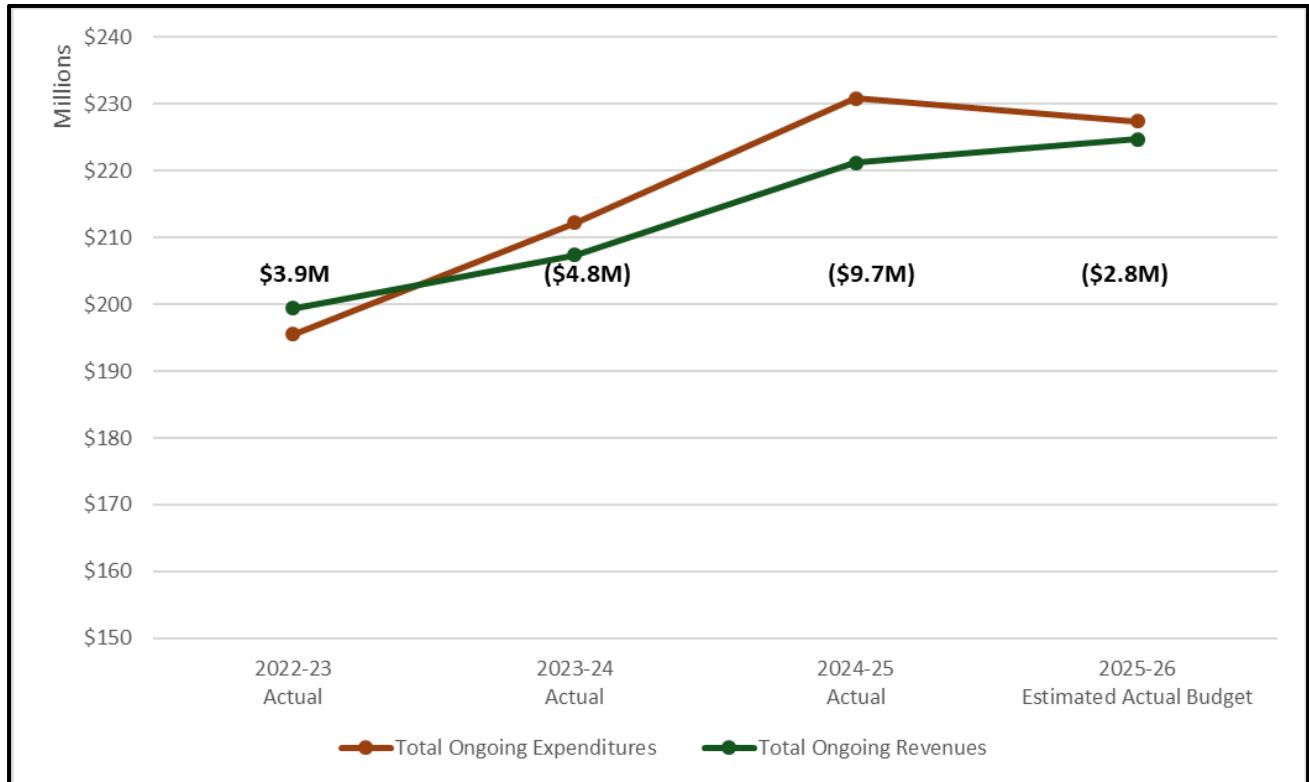
The use of one-time funding sources (often accumulating as a result of difficulties in recruitment, delays in planned capital expenditures and unplanned increases in allocations that were not budgeted) has temporarily masked the imbalance. Reliance on these funds has only provided short-term relief without addressing the underlying gap between expenditures and ongoing revenues. As these one-time sources expire, the Department is left with recurring obligations and service expectations that far exceed its sustainable funding base. The result is a structural deficit that requires difficult choices about staffing, programs, and service levels to bring expenditures back in line with reliable funding.

These challenges are compounded by additional state or federal requirements that set or increase service level obligations without sufficient growth in available funding to cover the associated costs. In February 2024, the Department received Board approval to add 86 positions (65 funded and 21 unfunded) to its budget, a 10% increase in total positions, to maximize service levels and leverage available state funding. These position increases, once fully staffed, had an estimated annual cost of \$5.9 million, of which \$4.6 million would be offset by federal and state sources and \$0.8 million by General Fund Contribution freed up by anticipated growth in 2011 Realignment. However, this growth in 2011 Realignment was not realized.

Realignment revenue, a critical funding source for mandated programs, has experienced inadequate growth and has not kept pace with escalating service costs. This has required the Department to redirect limited Realignment resources away from programs with non-mandated funding levels to those with mandated funding requirements. For example, with the recent trend of increased categorical aid growth (\$65.6 million in FY 2023-24 increasing by \$7.4 million to an anticipated \$73.0 million in FY 2025-26), Realignment revenues and budgeted County General Fund dollars have had to be redirected to fund this mandated obligation, reducing the Department's ability to maintain

sufficient matching funds for the CalFresh program as well as reducing funds available for staffing in the protective services programs.

#### Revenues and Expenditures – 4-year Trend



The Department has had sufficient unanticipated revenues or cost savings in prior years, as well as available fund balance to close any projected budget gaps. The Department identified a structural deficit of \$7.4 million in local funds in the FY 2025-26 budget:

- The State FY 2025-26 Adopted Budget reduced the anticipated growth in Realignment revenues by \$1.5 million beyond the County's Adopted Budget amount. The Department had used the January 2025 Governor's proposed budget, which included a higher number, as a basis for its FY 2025-26 Adopted Budget.
- Recent trends in categorical aid costs (mainly foster care and adoptions programs) indicate greater costs than anticipated in the adopted budget by \$2.6 million (local cost approximately \$1.3 million). The adopted budget had already included a significant increase in categorical aid expenditures over the prior year.
- An over-projection in salary savings as well as negotiated salary increases resulted in an \$8.9 million increase (local cost approximately \$1.8 million) in the Department's salary and benefit costs.

Proposed reductions outlined in this report will address \$4.6 million of the \$7.4 million gap. The remainder will be solved on a one-time basis by \$2.8 million in one-time General County Programs funds authorized by the Board to cover categorical aid expenditure growth in the current adopted budget. This leaves a \$2.8 million gap to be addressed in the FY 2026-27 budget.

### **Major Changes to Revenues and Expenditures to Address Imbalance**

The Department will make changes to its FY 2025-26 Adopted Budget to address the imbalance and ensure consistency with anticipated revenues and expenditures.

- A reduction in anticipated Realignment revenues of approximately \$1.5 million from the adopted budget.
- A net reduction of \$1.0 million in salaries and benefits, reflecting the reduction of 121 funded positions (a cost reduction of \$9.9 million) offset by a cost increase of \$8.9 million due to a reduced vacancy factor.
- An increase of \$2.6 million in cash assistance payments to reflect current trends (approximately \$1.3 million increase in local share and \$1.3 million in additional federal funding).
- A reduction of approximately \$1.1 million in services contracted through other providers for CWS programs to meet available funding levels.

### **Strategies Implemented to Close Budget Gap**

The Adopted Budget already includes a number of reduction strategies, many of which were implemented in the latter part of FY 2024-25 and will continue throughout this fiscal year.

- Re-organized divisions and branches to consolidate, where possible
- Held positions vacant
- Significantly reduced CWS contracted services
- Eliminated non-emergency overtime
- Eliminated non-essential travel
- Reduced training contracts
- Eliminated computer replacements
- Eliminated vehicle replacements

All program allocations have been maximized with the exception of CalFresh (for which the Department does not have sufficient local funding available to draw down the full allocation)

After implementing strategies to reduce the budget gap unrelated to positions, the Department was left with a remaining gap that can only be solved by a reduction in the number of funded positions. At this time, a reduction of 121 funded positions effective on January 5, 2026, will bring expected costs in line with anticipated revenues. A listing of positions proposed for reduction is included in the Staffing Impacts section below.

### **Background:**

Governed primarily by federal and state mandates, the Department of Social Services (DSS) provides services and programs critical to delivering a countywide system of health, security, and safety for vulnerable County residents.

The Social Services Department is funded through a mix of federal, state, and local sources. These funds support a wide range of programs and services aimed at improving the well-being of the county's most vulnerable residents. The Department's financial structure is complex, as local funds are often required to draw down additional federal and state dollars.

In nearly all programs provided by the Department, the local share of cost (Realignment or General Fund) is only a portion of labor and non-labor costs but is a required component in order to access the available state and federal funds. In some cases, such as the IHSS MOE, it is a required cost at a pre-determined amount.

The Department has faced challenging funding situations in previous years, the most notable in recent years being FY 2017-18 which resulted in layoffs. The current financial situation is somewhat different in that the main drivers in FY 2017-18 were increased retirement costs, a 5% reduction to the Department's General Fund Contribution from the County, decreased revenues in multiple program areas, especially in CalWORKs, and a change in the CalFresh allocation methodology from a fixed Maintenance of Effort (MOE) to a 15% sharing ratio.

The Department rebounded from the fiscal challenges in FY 2017-18 as State revenue began to increase (as the State updated certain funding methodologies). During this time, the Department invested in strategic areas, improving building safety, enhancing training for staff in program areas and disaster service responsibilities, investing in technology (equipment and staffing), and fully engaging in InnovateSBC to expand the Department's continuous process improvement approach. In the years between 2017 and now, outreach activity increased, and community collaborations were strengthened. As the Department grapples with the current financial challenges, service level impacts will be felt as the Department's core focus is to prioritize safety and access to benefits over other activities with the resources available.

As discussed above, at FY 2025-26 Budget Workshops and Budget Hearings, the Department committed to returning to the Board in the fall to take a closer look at the Department's finances and fiscal outlook.

The Department's largest revenue sources include federal and state revenues, 1991 and 2011 Realignment, and General Fund Contribution. Over the past four years, 1991 and 2011 Realignment, revenues have remained largely flat while other major revenue sources have seen moderate growth. Current projections of Realignment revenues anticipate that they will be 6% lower in the current fiscal year than they were three years ago.

Costs over the past several years have steadily increased, particularly in the area of cash assistance payments, which are outside the Department's control.

### **Service Level Impacts**

The reduction of positions, filled and vacant, will likely result in slower case processing and longer wait times. The expanded caseload per case worker has not yet been estimated. However, the Department expects a reduction in certain performance measures. The Department anticipates meeting state targets and will continue to prioritize high risk referrals and investigations.

**Fiscal and Facilities Impacts:**

The anticipated local saving associated with cost reduction measures already implemented by the Department as well as the proposed position reductions included in this letter total \$4.6 million in local funds, bringing expenditures in line with anticipated revenues. The Department will work closely with the CEO's Office to monitor expenditures and revenues over the course of the fiscal year. The five-year forecast and fiscal issues report, as well as the April budget workshops, will provide opportunity to update the Board on departmental finances. Additionally, based on your Board's direction the Department will return to the Board with a budget revision at a later date.

**Staffing Impacts:**

The following positions are proposed for elimination, including 65 currently filled positions and 56 currently vacant positions for a total of 121 positions. The table below includes only the impacted job classifications and does not represent all job classifications within the department.

Job Class	Filled	Unfilled	Total Eliminated Positions	Remaining Funded Positions	Average Local Cost per Position*	Average Federal/State Cost per Position*
ADMINISTRATIVE OFFICE PROFESSIONAL I / II	8	4	12	93	\$ 35,000	\$ 83,800
ADMINISTRATIVE OFFICE PROFESSIONAL SR	4	1	5	26	\$ 39,000	\$ 111,600
ADMINISTRATIVE SERVICES MANAGER I	1		1	1	\$ 43,100	\$ 184,000
CAREER EMPLOYMENT SPECIALIST / SR		1	1	36	\$ -	\$ 127,100
CAREER EMPLOYMENT SPECIALIST SUPERVISOR		1	1	6	\$ -	\$ 153,300
COMPUTER SYSTEMS SPECIALIST I / II		1	1	9	\$ 19,300	\$ 148,200
DEPT BUSINESS SPECIALIST I / II	8	3	11	49	\$ 51,100	\$ 122,200
EDP SYSTEMS & PROGRAM ANALYST I / II	2	1	3	6	\$ 21,200	\$ 163,000
ELIGIBILITY SUPERVISOR		1	1	38	\$ 19,900	\$ 260,300
ELIGIBILITY WORKER I / II	9	29	38	225	\$ 7,200	\$ 109,200
ELIGIBILITY WORKER III	3	4	7	54	\$ 34,300	\$ 301,700
IT BUSINESS SYSTEMS MANAGER I	1		1		\$ 25,600	\$ 197,400
SOCIAL SERVICES CASE AIDE	12	2	14	8	\$ 42,300	\$ 59,300
SOCIAL SERVICES SUPERVISOR II	1	1	2	14	\$ 101,900	\$ 79,900
SOCIAL SERVICES WORKER / SR PS/L	15	2	17	82	\$ 50,800	\$ 85,300
SOCIAL SERVICES PRACTITIONER		4	4	10	\$ 87,000	\$ 66,600
UTILITY CLERK-DEPT		1	1	7	\$ 18,900	\$ 80,900
STOREKEEPER	1		1		\$ 20,700	\$ 88,500
<b>Grand Total</b>	<b>65</b>	<b>56</b>	<b>121</b>	<b>664</b>		
* Cost sharing ratios vary by program. This table reflects averages across all programs.						

As indicated above, 56 of these positions are currently vacant (as of September 25, 2025) due to attrition and the proactive hiring pause implemented in the second quarter of last fiscal year. Where positions are not vacant, DSS will be working with the County Human Resources Department to assist employees with navigating potential options for placement or re-assignment, where feasible, and connecting them with the benefits and resources available to them.

Employees affected by position eliminations have various rights under County civil service rules, labor agreements, and policies and access to various benefits to assist with employment transition. DSS and the County Human Resources Department will be working with employees and their labor representatives to address the impacts of these staffing reductions.

**Special Instructions:**

Upon approval, please send one copy of the minute order to:

- Katie Bell – [kibell@countyofsb.org](mailto:kibell@countyofsb.org)

**Attachments:**

**Attachment A** – Report

**Attachment B** – Presentation

**Contact Information:**

Rachel Lipman, Chief Financial and Administrative Officer