



**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: County Executive Office
Social Services Department
Department No.: 012
Agenda Date: July 15, 2025
Placement: Administrative Agenda
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors

FROM: Department Director(s): Mona Miyasato, County Executive Officer
Daniel Nielson, Social Services Department

Contact: Paul Clementi, Budget Director

Rachel Lipman, CFAO, Social Services Department

SUBJECT: FY 2024-25 Social Services Department Fiscal Year End Budget Revisions to Address Shortfall

DocuSigned by:

Mona Miyasato
41848F5C725B480...

DocuSigned by:

Maria Gardner
4EBA745518EE47D...

County Counsel Concurrence

As to form: Yes

Other Concurrence: CEO Budget

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Affirm, ratify and approve Budget Revision Request No. 0010680:
 - (i) to increase appropriations of \$655,200 in General County Programs, General Fund for Other Financing Uses funded by a release of Committed Program Stabilization Fund Balance and transfer the funds to the Social Services Department by increasing appropriations of \$655,200 in Social Services Department, Social Services Fund for Other Financing Sources funded by an operating transfer from General County Programs, General Fund;
 - (ii) to establish appropriations of \$469,100 in Social Services Department, Social Services Fund to increase Residual Fund Balance funded by a decrease to Restricted Fund Balance at fiscal year-end; and

- (iii) to establish appropriations of \$154,700 in Social Services Department, Social Services Fund to increase Residual Fund Balance funded by a decrease to Committed Fund Balance at fiscal year-end.
- b) Affirm, ratify and approve Budget Revision Request No. 0010687 to increase appropriations of \$304,800 in General County Programs, General Fund for Other Financing Uses funded by release of Committed Program Stabilization fund balance; and decrease budgeted revenues of \$304,800 in the Social Services Department, SB IHSS Public Authority Fund in Intergovernmental Revenue-State offset by an operating transfer from the General Fund.
- 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:

This matter is before the Board to affirm, ratify and approve an increase of \$1,583,800 to the Department of Social Services (DSS) through the release of \$623,800 in departmental fund balances and two transfers from General County Programs, General Fund, totaling \$960,000, in order for the Auditor-Controller to close the 2024-25 fiscal year records. Of the General Fund transfers, these funds were previously approved or set aside for DSS: \$655,200 is part of a set-aside already approved by the Board in the FY 2025-26 Adopted Budget, intended to address the department's FY 2025-26 funding gap; and \$304,800 is from a General Fund set-aside previously set aside in the General County Programs Program Stabilization Fund Balance Account to offset IHSS MOE costs.

These set-aside funds and department fund balance were originally budgeted for use in FY 2025-26, and the result of this budget action will thereby leave a gap as DSS enters the new fiscal year. DSS will return to the Board with a full report and budget revision in FY 2025-26 to reflect the impact of today's Board action as well as estimated impacts of State and federal budget actions.

The Auditor-Controller, under the authority granted by the Board on June 3, 2025, to compile and record revisions of appropriations necessary to close the County's accounting records for all County Funds effective for the Fiscal Year ending June 30, 2025, has already made the proposed revisions to the Social Services Department's Social Services Fund budget so that the department may close its FY 2024-25 accounting records. The department had already expended its FY 2024-25 budget, and therefore funding must be provided at this time to close the year balanced.

Discussion:

At the end of FY 2024-25, DSS discovered a funding gap between expenditures and revenues of approximately \$1,583,800. According to the department, this unanticipated gap was due largely to two main factors:

- Categorical aid payments in adoptions and foster care programs (comprising mainly the mandated cash payments to foster parents and adoptive parents) have grown by approximately \$3.1 million above the level anticipated in the budget; and
- Salary and benefit costs came in approximately \$1.7 million above the adopted budget due to lower attrition than anticipated.

Because DSS expenditures are offset by State and federal revenues, only a portion of the unanticipated cost increases resulted in a funding gap.

Beginning in the third quarter of FY 2024-25, DSS saw salary and benefit costs projected to exceed budget and proactively implemented a stringent hiring review process so that only critical vacancies would be filled in order to control costs. DSS will maintain this practice in FY 2025-26.

In order to close the year-end gap, DSS worked with the CEO and Auditor-Controller's Office to find a solution. The attached budget revisions will close the gap as follows:

- Allow release of \$623,800 in departmental fund balance and a transfer of \$655,200 from General County Programs, General Fund. These two transactions were included in the FY 2025-26 Adopted Budget, and will therefore reduce the amount available for use in FY 2025-26.
- Allow transfer of \$304,800 from General County Programs, General Fund. These funds were previously set aside in the General County Programs Program Stabilization Fund Balance Account to offset IHSS MOE costs.

The Auditor-Controller's Office has already recorded the budget revisions in Attachment A and B, which were necessary to close the County's accounting records for FY 2024-25. Therefore, it is requested that the Board affirm, ratify and approve these revisions.

DSS anticipates significant fiscal impacts of both State and federal budget actions that have occurred since the passage of the DSS FY 2025-26 Adopted Budget. DSS will return to the Board in the fall to provide a report on the status of the department's budget as well as State and federal budget impacts. At that time, the department plans to bring a budget revision to the Board to make the necessary reductions in available funding that will result from the current action, as well as any other budget adjustments needed to bring the department's budget in balance in light of State and federal budget actions.

CEO staff will continue to work with DSS to evaluate and understand how they are projecting and tracking their program costs.

Background:

DSS depends largely on State and federal sources to fund programs and services. State and federal sources have not kept up with the cost of doing business, which has created a structural deficit within the department. Over the past several years, DSS has relied on the use of fund balance to close this structural deficit; however, as of FY 2024-25 year-end, DSS will have exhausted all available departmental fund balance. Additionally, recent State and federal budget actions are anticipated to further exacerbate the department's structural deficit. The department is working with the County Executive Office to develop a plan to bring expenditures in line with available revenues, which will be presented to the Board in the fall of FY 2025-26.

The County's Budgetary Control and Responsibility Policies outline the following processes required by department heads for maintaining departmental expenditure levels within approved budget appropriations:

- A. If expenditures are projected to exceed appropriations, the department head responsible for the budget shall perform one or more of the following steps in the following order:
 - 1) Lower the expenditure level to maintain overall expenditures within the total amount budgeted,
 - 2) Request a transfer from fund balance within the same department and fund under the department head's control (if available for appropriation),

- 3) Prepare a transfer request from General Fund Contingency and an agenda item for the Board of Supervisors with a memo to the County Executive Office, providing adequate justification.
- B. If, at the end of a fiscal year, a department budget has over-expended its appropriation and/or under-realized its revenue, the department head responsible for that budget will report in writing to the Board of Supervisors by the third Board of Supervisors' meeting following the fiscal year, explaining the reasons therefore.
- C. California Government Code Section 29121 provides that department heads may be held personally liable for their departmental over expenditures. The Board of Supervisors reserves the right to apply this law in instances of a department heads' failure to adhere to the procedures outlined in this policy.

Fiscal and Facilities Impacts:

Due to unanticipated growth in cash assistance payments for adoptions and foster care programs, as well as lower than anticipated attrition causing increased salary and benefit costs, DSS had a gap of \$1,583,800 at FY 2024-25 year-end. The proposed actions allow DSS to release \$623,800 in departmental fund balances and receive two transfers from General County Programs, General Fund, totaling \$960,000 in order to close FY 2024-25.

Attachments:

Attachment A – Budget Revision Request No. 0010680 - FY 2024-25 Budget Shortfall

Attachment B – Budget Revision Request No. 0010687 – Transfer Program Stabilization Fund Balance

Contact Information:

Paul Clementi
Budget Director
pclementi@countyofsb.org

Rachel Lipman
CFAO, Social Services Department
rlipman@countyofsb.org