



**London N. Breed,
Mayor**

**Jenny Louie,
Chief Financial Officer**

MEMORANDUM

To: President Dan Bernal and Honorable Members of the Health Commission

Through: Dr. Grant Colfax, Director of Health
Greg Wagner, Chief Operating Officer

From: Jenny Louie, Chief Financial Officer

Date: June 2, 2023

RE: Mayor's Proposed FY 2023-24 and FY 2024-25 Budget

On June 1st, the Mayor made her proposal to the Board of Supervisors for a balanced FY 2023-24 and FY 2024-25 budget. The budget prioritizes, public safety, homelessness and behavioral health and supports restoring San Francisco's economy and downtown. We are pleased that the budget reflects the proposals brought to the Health Commission in February and April of this year. In addition, the Mayor's Budget enhancements to DPH's budget including:

- *Opioid Settlement Funding*
- *CARE Court and Bridge Housing*
- *Capital and Bed Expansion Investments through State and Private Partnerships*
- *Laguna Honda Hospital Facilities Staffing*
- *4% Cost of Doing Business Increase for Non-Profit Contractors*

These enhancements are described in more detail below.

Overall, the proposed Fiscal Year (FY) 2023-24 budget of \$3.2 billion for the Department of Public Health is \$237.9 million, or 7.9 percent, higher than the FY 2022-23 budget. This is primarily due to increases in salaries mandated by labor agreements, new programs supported by the opioid settlements, and state and private funding for capital improvements and mental health services. The FY 2024-25 proposed budget of \$3.2 billion is \$25.2 million, or 0.8 percent, lower than the FY 2023-24 proposed budget. This change is driven by the expiration of one-time State and private funding that supported capital expenditures, offset by projected labor cost growth.

Opioid Settlement Funds

Through the work of the City Attorney and his office, San Francisco has now reached historic settlements with pharmacy chains, manufacturers, and distributors for their role in fueling the opioid epidemic and secured over \$290 million of settlement funding over the course of multiple years. DPH has been dealing with the impacts of opioids for years including the need for direct

treatment and support for those struggling with addiction. The proposed budget includes the first two years of the settlement funds, with \$56 million in FY 2023-24 and \$47 million in FY 2024-25 to address the devastating impacts of the opioid crisis. These funds will allow for the City to make progress in implementing the Overdose Prevention Plan released in October 2022. This evidence-based, equity-oriented plan aims to reduce fentanyl and other drug-related deaths, increase access to treatment for opioid use disorder (including addiction to fentanyl) and stimulant use disorder, increase social support for and reduce the stigma experienced by people at risk of overdose, and improve the community conditions in which drug use occurs. The plan builds upon decades of commitment and success by advocates, people who use drugs, and community organizations, whose partnership with the City is vital in this work.

Settlement funding in the proposed budget includes \$18.9 million to open up to three Wellness Hubs over the two budget years to improve the health and well-being of people who use drugs, including those experiencing homelessness, and reduce public drug use. The first year of the budget \$6.6 million in capital costs for the second facility. These sites will provide low- to no-barrier:

- Overdose prevention services and resources
- Resources to improve a person's health, including basic needs such as housing, food assistance, and basic medical services
- Connections to outpatient and inpatient residential treatment

Note, any possible inclusion of safe consumption at or near these sites would be funded by private entities and be outside of the City's budget.

Settlement funds will also be used to enhance investments in high-risk overdose communities and in expanded treatment opportunities. To address the City's disproportionate overdose deaths among African American people and people experiencing homelessness, the Mayor's proposed budget will fund \$2 million each year in culturally-congruent programs tailored to serve at-risk communities. Additionally, the Mayor's proposed budget invests \$2.0 million each year for expanding contingency management, a motivational incentive model for treatment that has shown efficacy against stimulant use disorder. The proposed budget also includes \$3.0 million for new investments in sober living programs, medication-assisted treatment programs, especially methadone, and preventing overdose in high-risk housing settings such as single-room occupancy hotels.

In recognition of the challenging conditions that the epidemic has created on the streets, the budget also allocates \$15.1 million in FY 2023-24 and \$11.2 million in FY 2024-25 to the expansion of community ambassador programs in the Mid-Market and Tenderloin neighborhoods under the Mayor's Office of Economic and Workforce Development.

Finally, the budget also allocates \$36 million across the two years towards the costs of services in the Behavioral Health Services and the Population Health Division previously supported with the general fund. These funds offset some of the sizable investments the City has had to make to address opioid use disorder as the epidemic has grown over the last few years. The settlements also include an anticipated in-kind contribution of \$6.7 million of naxolone, the life-saving medication that can reverse an overdose from opioids, which DPH will distribute to the community.

Opioid Settlement Funds Budget Summary	FY23-24	FY24-25
<u>New Programming & Investments</u>		
Wellness Hubs & Neighborhood Security	11.0	7.9
Contingency Management Program	2.0	2.1
Address Racial Disparities	2.0	2.1
Sober Living, Medication-Assisted Treatment, Connection to Care in High Risk Housing	3.0	3.0
Program and Reporting Leads	0.3	0.4
Subtotal, New Investments	18.3	15.5
<u>Other Programs & Investments</u>		
Sustaining Behavioral Health and Population Health Investments	17.8	18.1
Community Safety Ambassadors at OEWD	15.1	11.2
Subtotal, Sustain urrent Investments	32.9	29.3
In-Kind Nalaxone	5.0	1.7
Total	56.2	46.5

In addition to these important investments supported by opioid settlement funds, the Mayor's budget also includes \$1.7 million in ongoing general fund for the Addiction Care Team (ACT) at the Zuckerberg San Francisco General Hospital. ACT, which began as a pilot in 2019, is a collaborative team of addiction medicine physicians, nurse practitioners, patient navigators, and licensed vocational nurses that helps patients with substance use disorders navigate the system of care during and after healthcare system touchpoints at ZSFG in partnership with staff, clinicians, and community partners.

CARE Court and Bridge Housing Programs

This fall, the State will begin implementing the new Community Assistance, Recovery, and Empowerment (CARE) Court, connecting clients struggling with untreated health issues with a court-ordered CARE plan for up to 24 months. Under this pilot, Behavioral Health Service (BHS) will be responsible for the clinical evaluation of clients, who may be referred by a family member, health provider, or other community member with knowledge of their medical history. San Francisco will participate in the first cohort of counties implementing CARE Court, beginning October 2023. The Mayor's proposed budget includes funding for engagement and assessment staff, new City attorneys dedicated to CARE Court implementation, increased capacity for treatment and housing, and outreach and educational efforts.

DPH has received \$4.3 million in State funding for the first year of implementation. The Department must engage referred clients and, for those who are eligible, either reach a voluntary

treatment agreement with them or develop a CARE Plan for review and adoption by a court order. BHS has redirected ten existing vacant positions to form its CARE Court team, which will be funded by the State support, which will include health workers to support finding and engaging with referred clients and clinicians to assess clients and develop plans.

CARE court plans can include a variety of services and supports needed to help stabilize the client, including treatment and shelter. DPH's budget also includes an anticipated grant from the State for Behavioral Health Bridge Housing for \$32 million to be spent over the next four years to support behavioral health clients, especially those associated with CARE Court, in accessing shelter and housing. DPH plans to use these funds in partnership with the Department of Homelessness and Supportive Housing to expand shelter capacity with appropriate behavioral health supports, add emergency stabilization units, add transitional housing, and help clients afford Board and Care placements.

Capital and Bed Expansion Investments through State and Private Partnerships

DPH's budget includes significant new investments in its Behavioral Health Services facilities expansion and at Zuckerberg San Francisco General Hospital funded by the State and by private partners. The department continues to successfully leverage outside capital investments to meet its ambitious goals for expanding capacity and improving facilities. These investments include:

- A \$33.7 million state grant awarded to DPH to build new inpatient and outpatient psychiatric facilities for youth at ZSFG. This grant will support the construction and design of a new San Francisco Intensive Youth Behavioral Health Services site to serve low-income youth who are experiencing a psychiatric or behavioral health emergency. The proposed inpatient psychiatric beds will provide a total of 12 inpatient beds and serve a total annual estimated population of 450 young people. The site will also include an Intensive Outpatient Treatment program including integrated substance use disorder treatment services which will serve as a step down to the inpatient unit and a stand-alone program.
- An \$18.3 million grant from the ZSFG Foundation for phase one of the build-out and additional improvements of the Outpatient Care Center, at Zuckerberg San Francisco General Hospital and Trauma Center. When completed, all outpatient services will be centralized into this building, which provides 500,000 patient visits per year.
- Two Community Care Expansion grants from the State.
 - \$7.4 million, to be administered jointly with the Mayor's Office of Housing and Community Development, to provide operating subsidies towards leases costs and grants to licensed board and care operators towards the acquisition of current facilities that they are currently leasing. These funds will help preserve community care capacity.
 - \$9.5 million to support the renovation and expansion of the residential treatment step-down site on Treasure Island.

As Laguna Honda Hospital continues to work towards recertification with the Centers for Medicare and Medicaid Services, it has identified additional needs to meet the goals and requirements of its action plan. The Mayor's budget includes the package of new positions proposed by DPH in February and also adds six new 7334 Stationary Engineer positions. This additional engineering support will allow LHH to have 24/7 coverage at facilities to respond to urgent or emergency physical plant issues.

The Mayor's proposed budget does not adjust baseline revenues at Laguna Honda Hospital given the uncertainty given around the timing for recertification. Should the department experience a revenue shortfall, the departments revenue management reserve will be used to balance.

Cost of Doing Business Increase for Non-Profit Contractors

The Mayor's budget includes a cost-of-doing business increase of 3% for all general funded non-profit contractors with an additional 1% targeted towards health and homelessness contractors, for a total of 4% for DPH-funded community-based organizations in FY 2023-24

Next Steps

The Mayor's Proposed Budget now moves to the Board of Supervisors for review and we have begun working with the Budget and Legislative Analyst on their budget review. Two hearings on the department's budget are tentatively scheduled for June 15th and June 22nd. We will keep you informed of any changes that take place and will provide you a final update on the budget in August.