

**HSN BUDGET ALERT**

November 28, 2007

- \* Mayor's budget instructions
- \* HSN budget strategy - We need info from you!

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**\* Mayor's budget instructions**

The Mayor's Office has released the annual budget instructions to city departments, and the news is not good. We have to prepare for what will be a long and difficult budget campaign that is likely to affect all of our members and the people we serve. The [overview and policy instructions](#) are posted on HSN's website.

The projected deficit for fiscal year 2008-09 is currently \$229 million. It continues into a projected FY 09-10 deficit of \$118 million. The situation may get even worse when the Governor announces his proposed budget in January, which must address an estimated \$10 billion shortfall.

While revenue is expected to grow by \$119 million, the overview cites several reasons for the large deficit:

- \* Voter-approved spending mandates will increase by \$72 million, including a general fund cost of \$28 million due to the recent passage of Prop A, the MUNI reform measure;
- \* Loss of one-time sources will reduce the general fund by \$110 million; and
- \* City labor MOU increases and position annualizations will cost the city \$133 million, including additional police, nurses, and park maintenance staff.

To address this projected deficit, the Mayor is asking departments to submit budgets that reduce general fund expenditures by 8%. This target includes a 5% cut to ongoing programs, and a maximum of a 3% cut from one-time savings. Departments may reduce these targets by making optional mid-year cuts in FY 07-08. These reduction targets will resolve only about 20% of next year's problem.

Departments are also asked to submit a prioritized list of contingency cuts totaling an additional 5% of general fund support, which may include ongoing and one-time solutions.

To illustrate the magnitude of these targets, the Department of Public Health's current general fund budget is \$381 million. The instructions will require the department to identify at least \$19 million in ongoing cuts to its baseline budget, \$11.4 million in one-time reductions, and another \$19 million in contingency cuts.

Finally, the instructions include language from previous years to prioritize core services to the public over operating costs, and to consider cost increases to nonprofit contractors within the base budget. The instructions state that departments may need to reallocate funds in order to supplement contracts for agencies that may be unable to continue delivering services, or reduce the units of service required.

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**\* HSN budget strategy - We need info from you!**

HSN began our budget strategy discussions at this morning's Public Policy Committee meeting. This year's budget is likely to affect all of us, and we will need to work together to gather data and turn out at hearings this spring.

Last week, we sent out an email asking contractors to prepare responses to our cost-of-doing-business survey. The survey gathers information on the magnitude of nonprofit cost increases, and the implications if they are not funded. In light of the size of the deficit, we need to gather those numbers as soon as possible! We are asking the Mayor's Budget Office to have departments use this form to gather cost information. But we also need this data at HSN.

We ask all of you to put your staff to work on this survey right away, have the information ready to send to city departments, and send it to HSN now! You will find the [survey and instructions](#) on our website.