

# Balancing San Francisco's Budget

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IDEAS + ACTION FOR A BETTER CITY

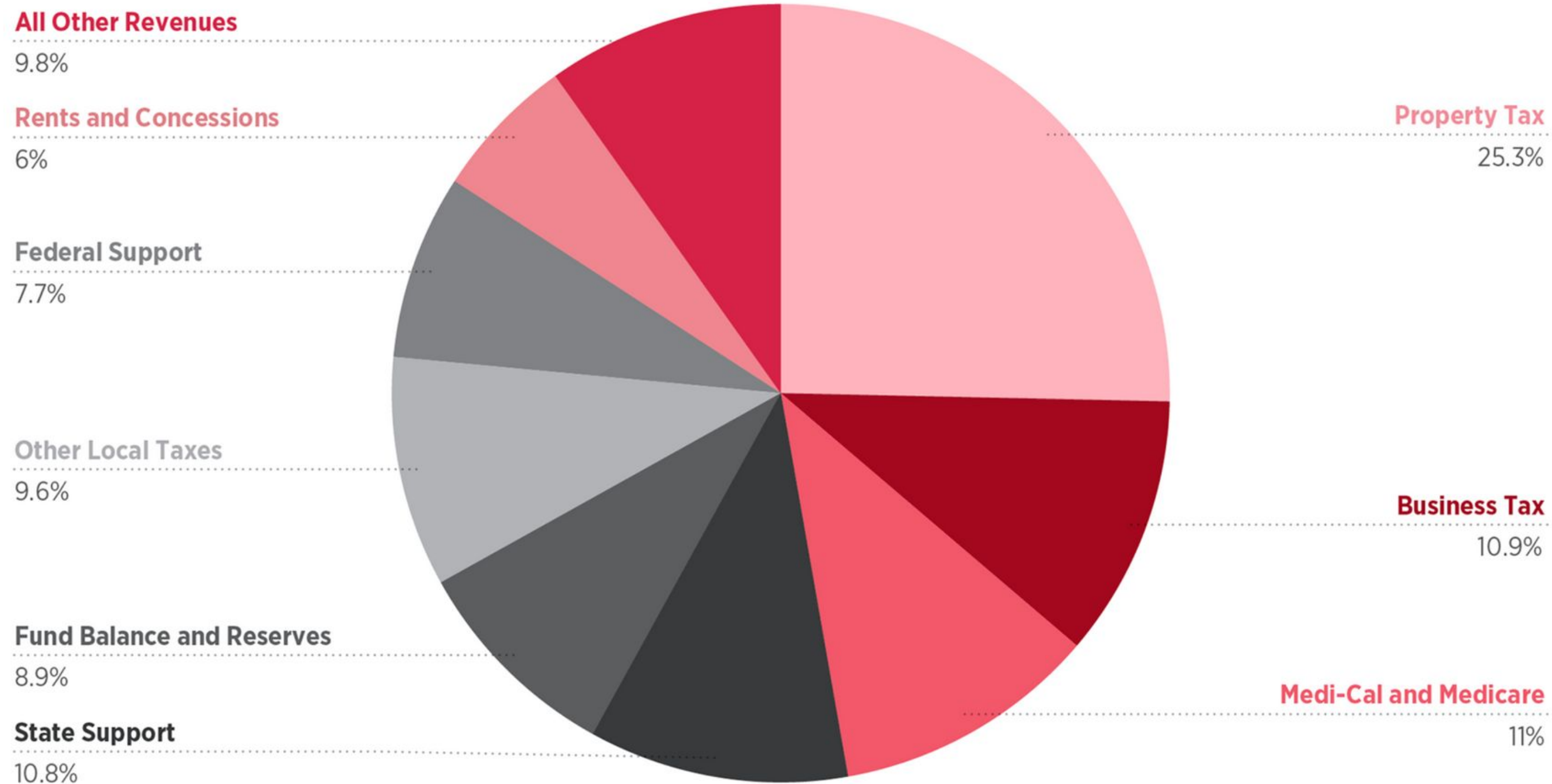
**Where do the city's revenue come from?**





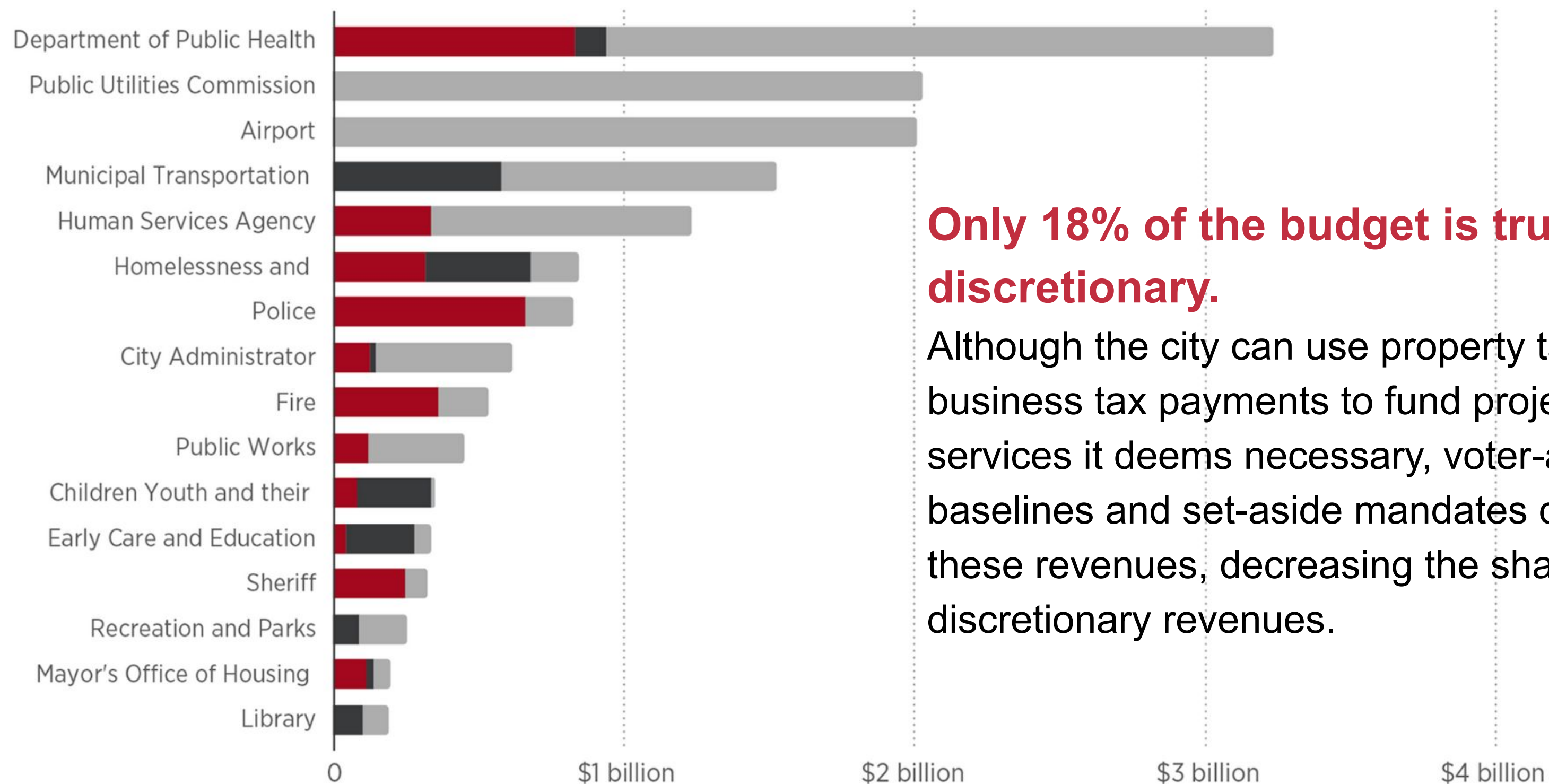
# Taxes revenues makeup half of San Francisco's \$15.9 billion dollar budget

Other revenues come from federal and state support and rents and concessions.



Source: SPUR analysis of Data SF "Budget" dataset.

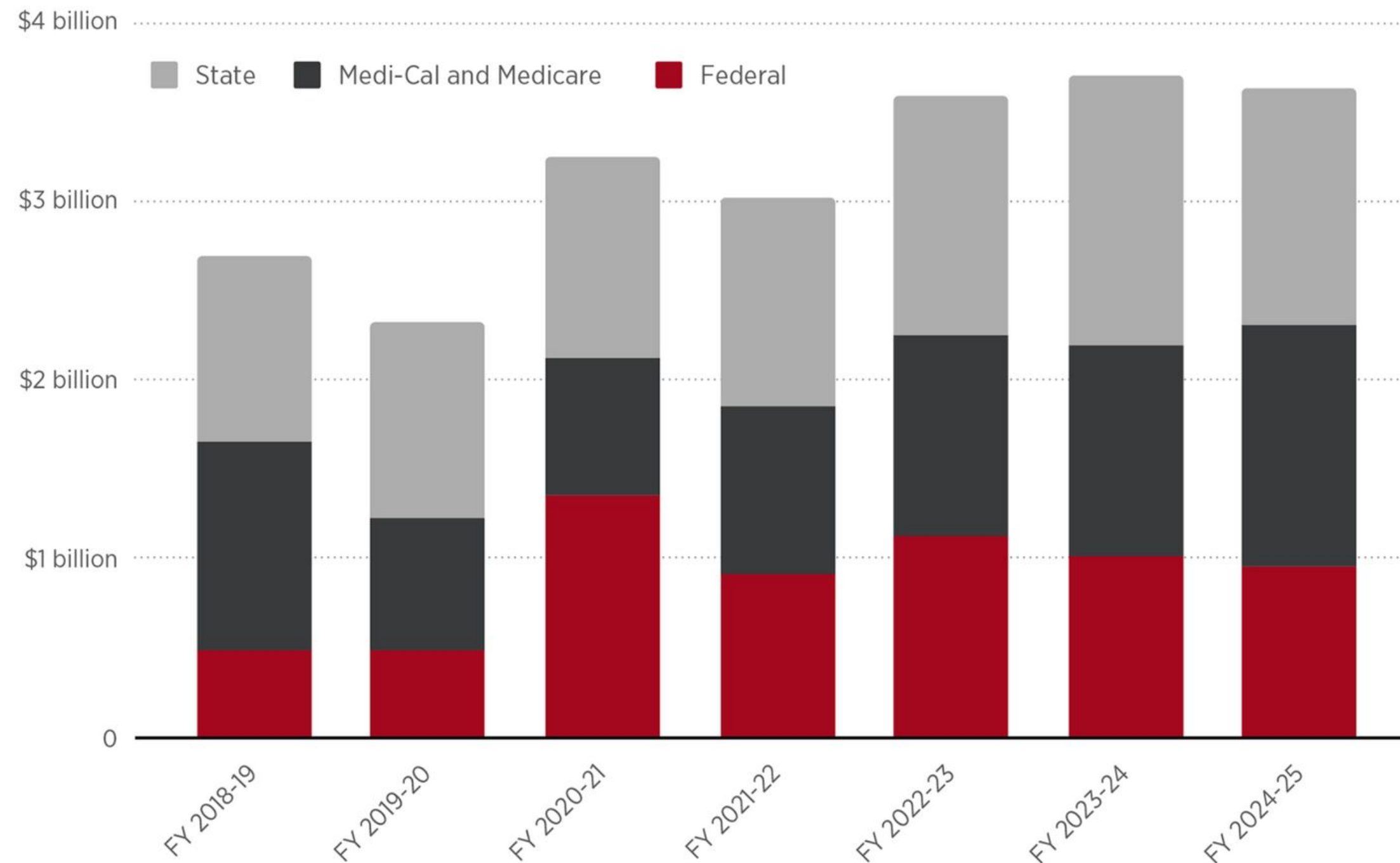
■ Discretionary General Fund Support    ■ General Fund Baselines and Set-asides    ■ Department Revenue and Recoveries



**Only 18% of the budget is truly discretionary.**

Although the city can use property tax and business tax payments to fund projects and services it deems necessary, voter-approved baselines and set-aside mandates draw from these revenues, decreasing the share of truly discretionary revenues.

Source: SPUR analysis of the 16 largest departments in the Data SF “Budget” dataset



**State and Federal Grants, About 20% of the FY 2024–25 Budget, Are Restricted to Their Intended Purpose.**

These grants cannot be reallocated to fill service gaps in the city’s budget.

Source: SPUR analysis of total state and federal revenue in Data SF “Budget” dataset.

**Budget Set-Asides, Totaling \$1.9 Billion in FY 2024–25, Are Another Constraint on Discretionary Spending**

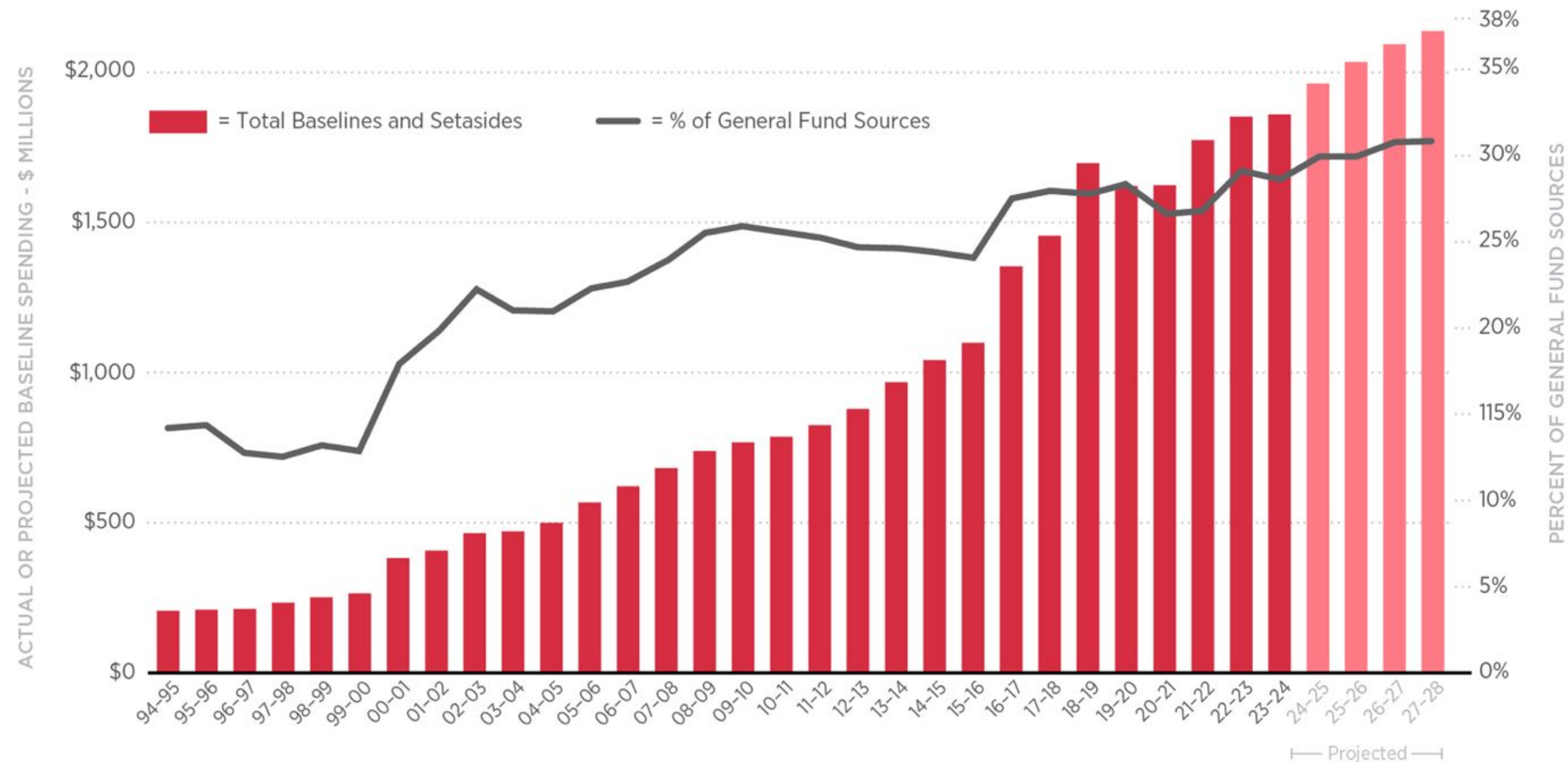
While revenues that are generated through enterprise departments cannot be used to support the General Fund, revenues that come into the General Fund can be used to support those departments.

Financial baseline	Set-aside amount
Children’s Services	\$635 million
Municipal Transportation Agency	\$558 million
Library Preservation Fund	\$183 million
Recreation and Parks	\$164.5 million
Other Financial Baselines	\$380 million
<b>Total</b>	<b>\$1.9 billion</b>

*Source: Adapted from “Table 7: Projected Baselines. Set-asides and Other Mandated Costs, FY 2024–25 through FY 2029–30,” Proposed Five-Year Financial Plan Fiscal Years 2025-26 through 2029-30.*

## Voter-approved baselines and set-asides have consumed a growing share of the city's financial resources.

By 2028, more than 30% of the General Fund will be dedicated to various programs, up from 14% in 1995.

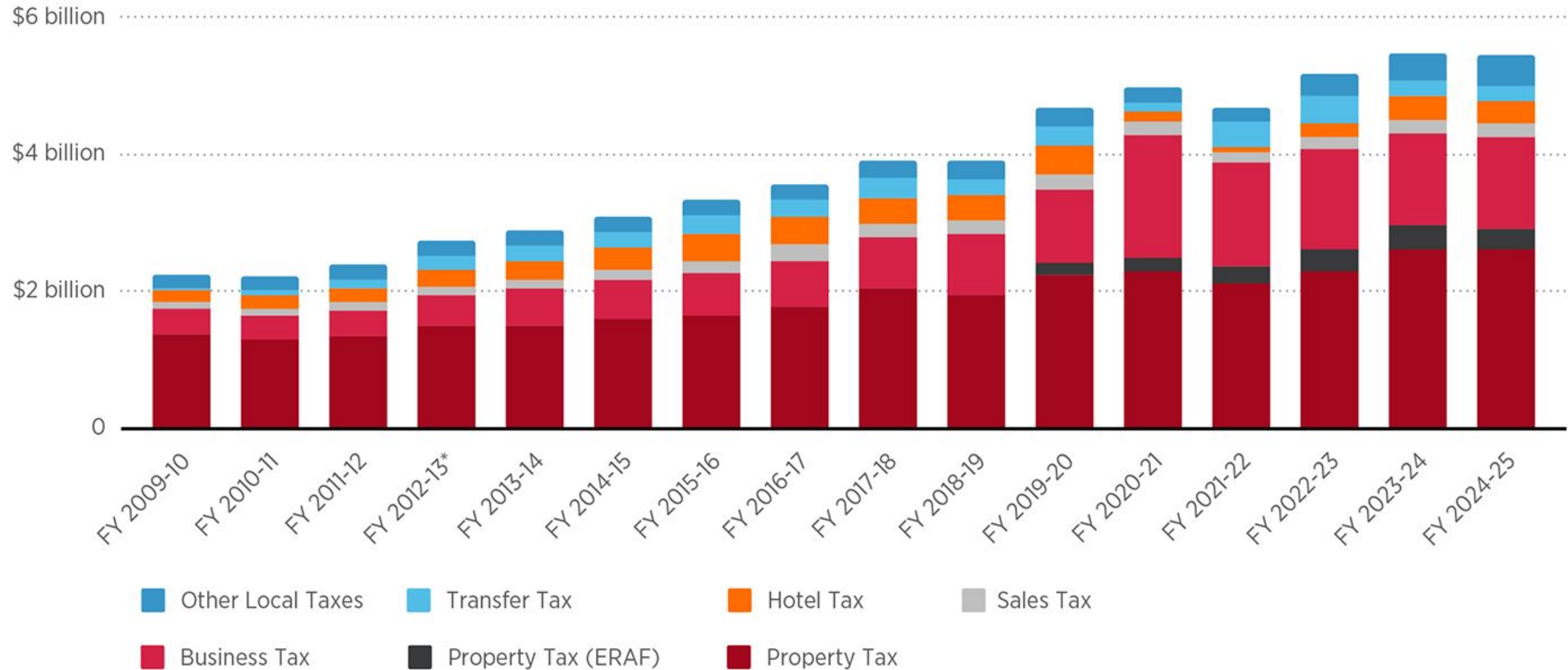


Source: San Francisco Controller's Office, March 2024 Joint Report.



## Taxes Fluctuate With Market Conditions

Property taxes, real estate transfer taxes, and business taxes have generally grown, but not always, as in FY 2021–22, the height of the COVID-19 pandemic.



Source: SPUR analysis of Data SF “Budget” dataset.

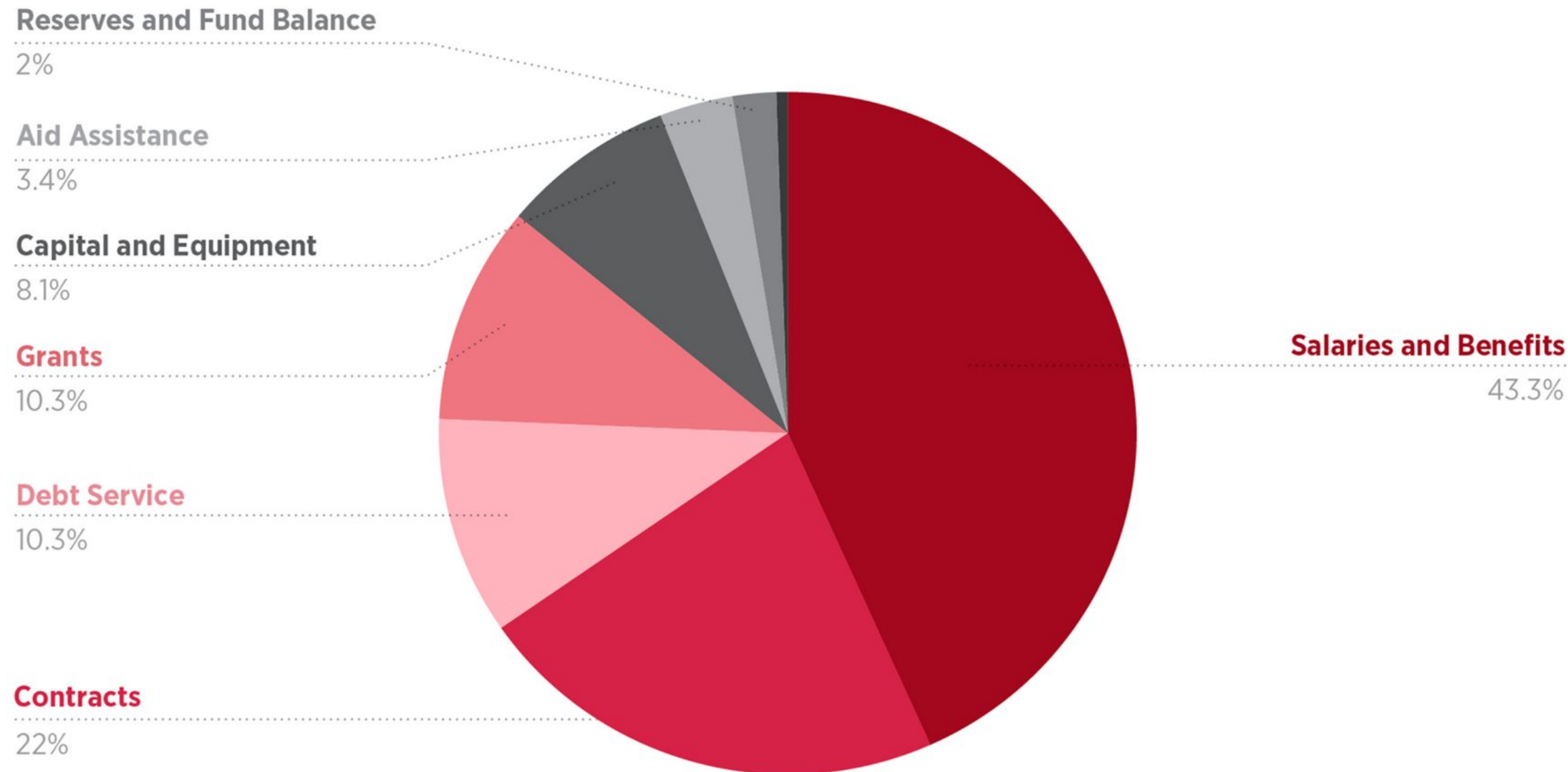


**What does the city spend money on?**



## San Francisco spends money in two main categories: contracts and staff.

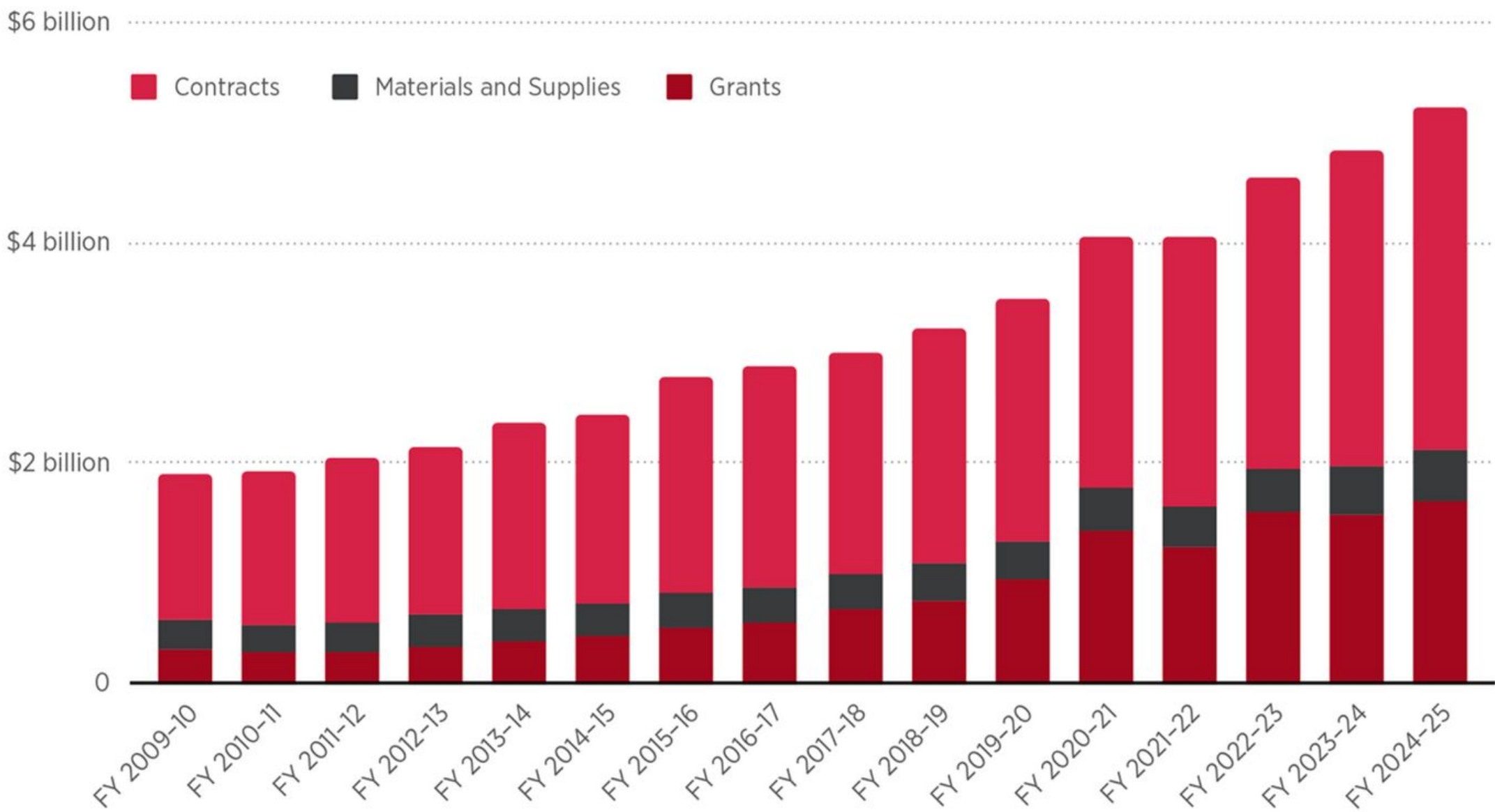
Grants and contracts for non-personnel services and supplies account for approximately one-third of the overall budget while salaries and benefits represent 43% of the budget.



Source: SPUR analysis of Data SF "Budget" dataset.

# One-Third of the Budget Pays for Contracted Services

The city relies on contractors to design and maintain infrastructure and provide vital public services. Although the costs of these services has risen steadily, the portion of expenditures for them has consistently remained at one-third of the annual budget.



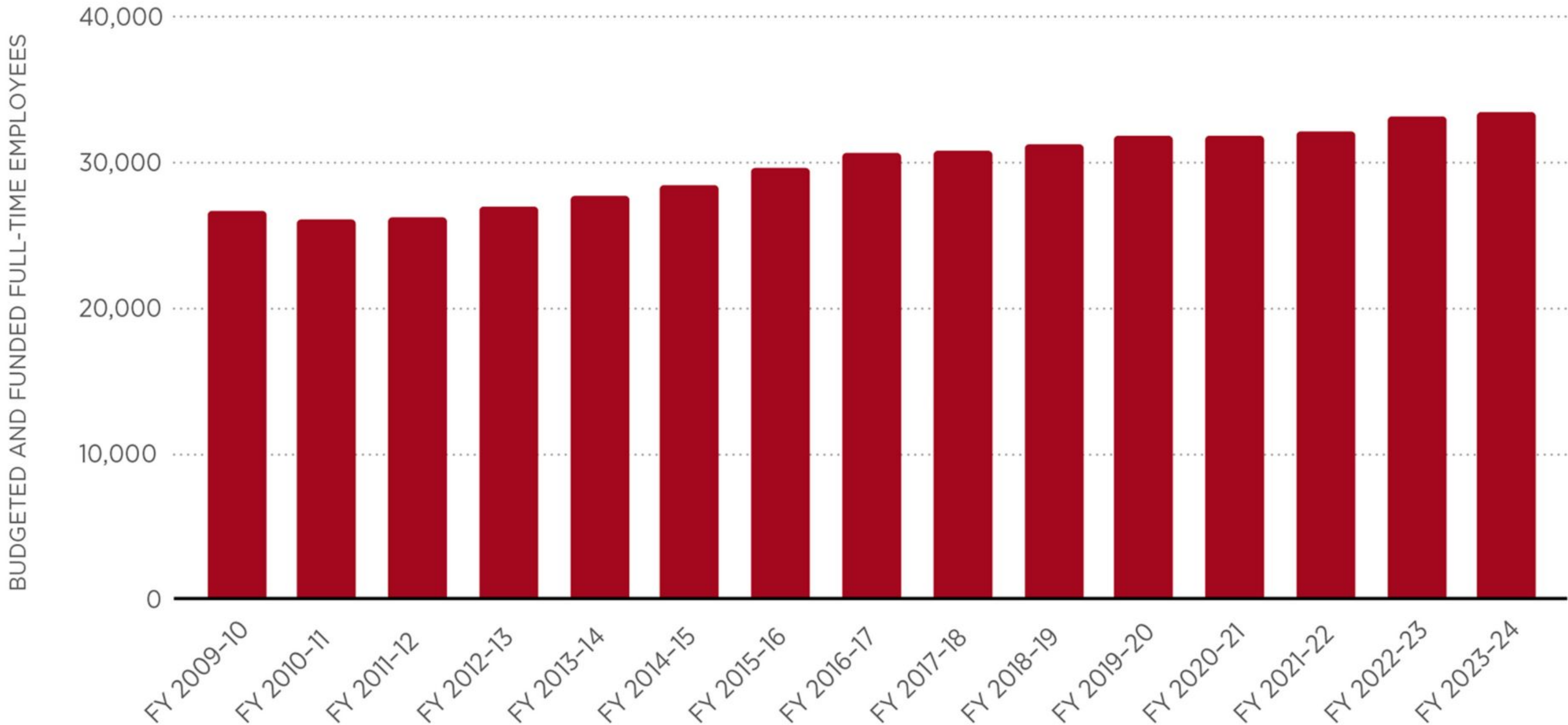
Source: SPUR analysis of Data SF “Budget” dataset.





**Staff Costs Have Doubled But the Number of Staff Has Increased by Only 25%**

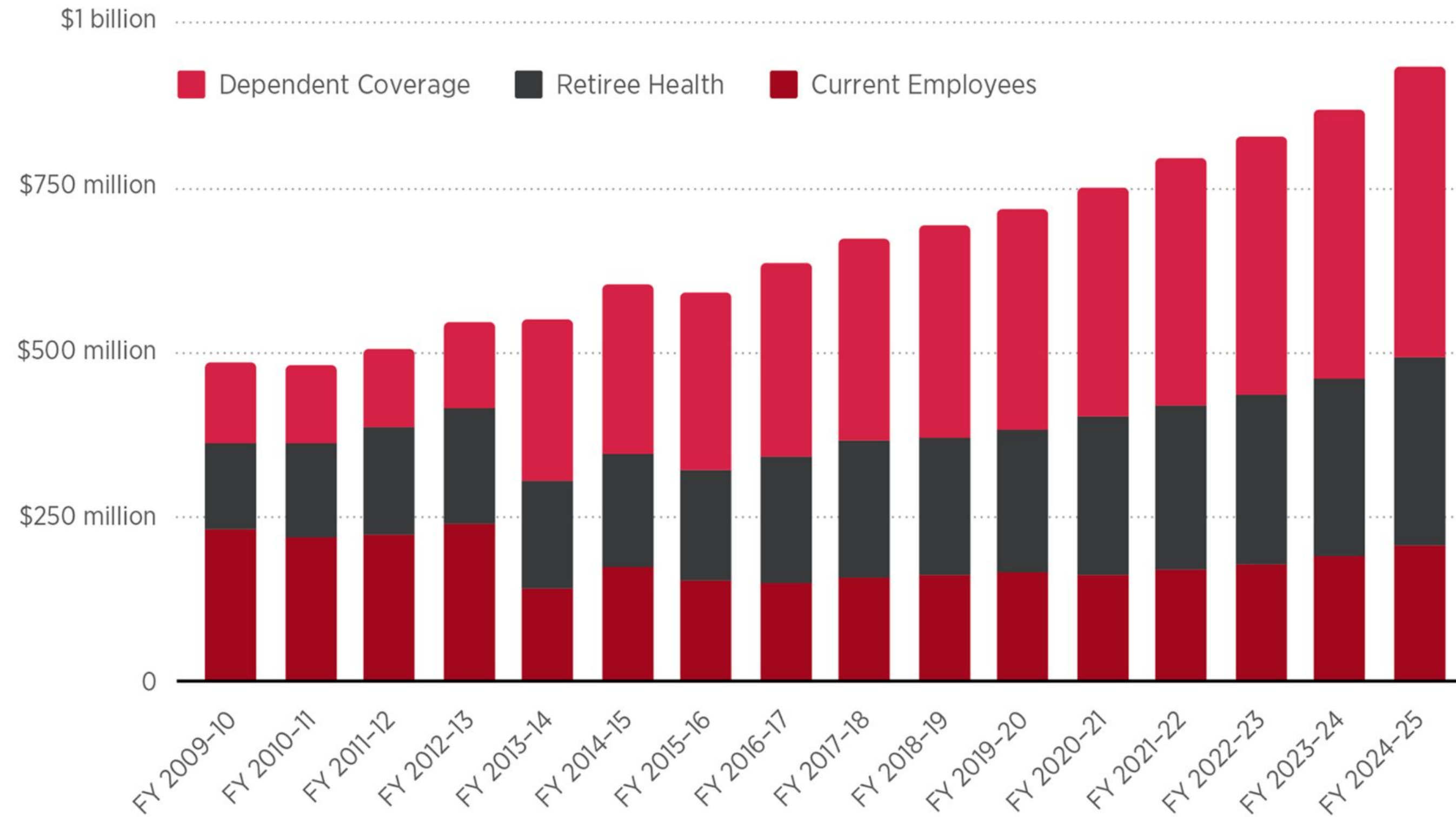
Staff cost increases are driven by contractual wage increases and rising costs of health and pension benefits.



Source: “Required Supplementary Information,” 2017–2024 Oakland Annual Comprehensive Financial Reports.

## Health Care Costs Are the Largest Contributor to Rising Staff Costs

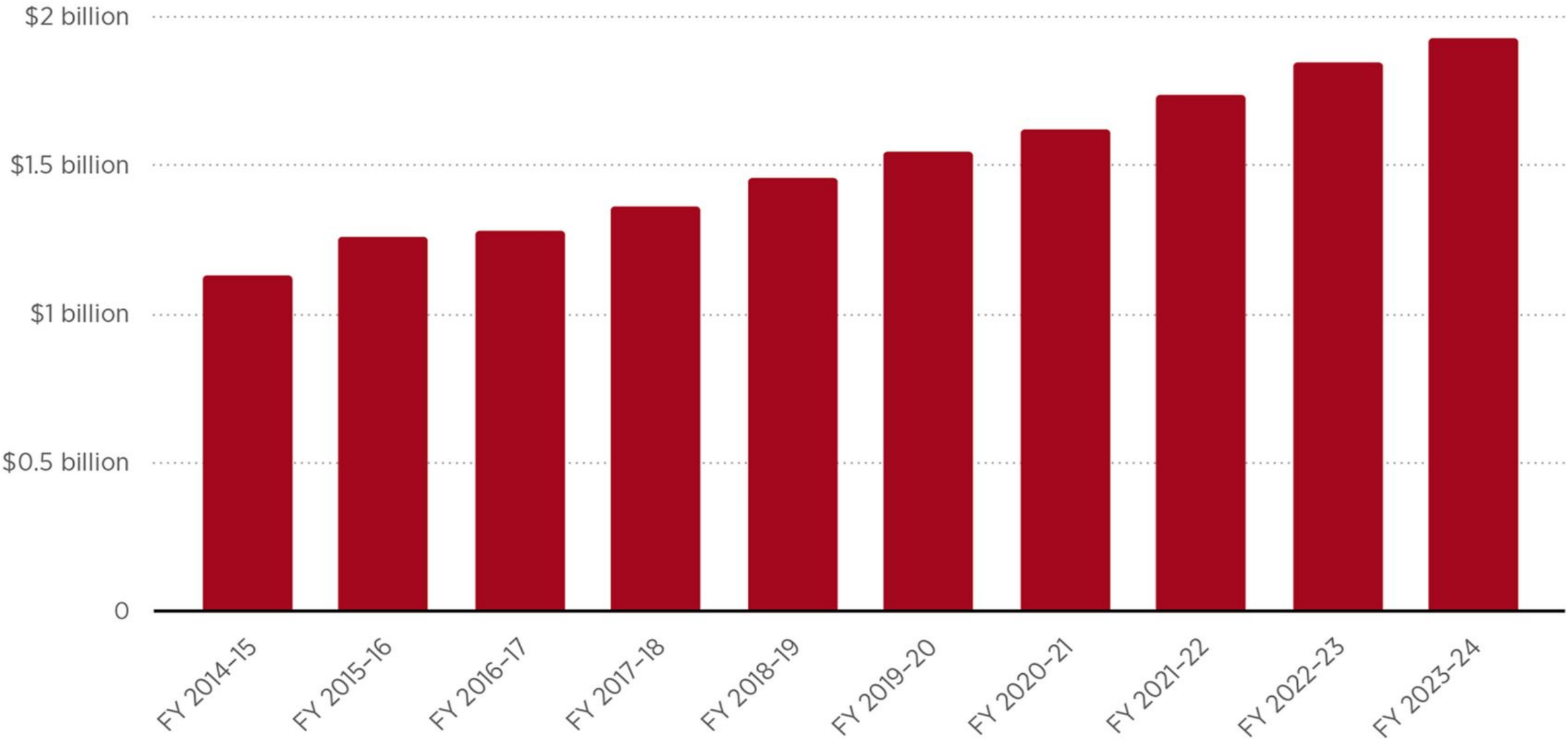
Employee health care costs have risen 91% since FY 2009–10.



Source: SPUR analysis of the DataSF “Budget” dataset.

**Since FY 2014–15, San Francisco Employee Retirement System Benefit Payments Have Increased 71%**

SFERS must issue monthly benefit payments to retired employees. These payments are mandated by the Charter, and pursuant to numerous court rulings on pension benefits. They are vested rights of retirees and cannot be changed or reduced once they have been earned.



Source: SFERS Audited Financial Statements 2024, p. 76–77.

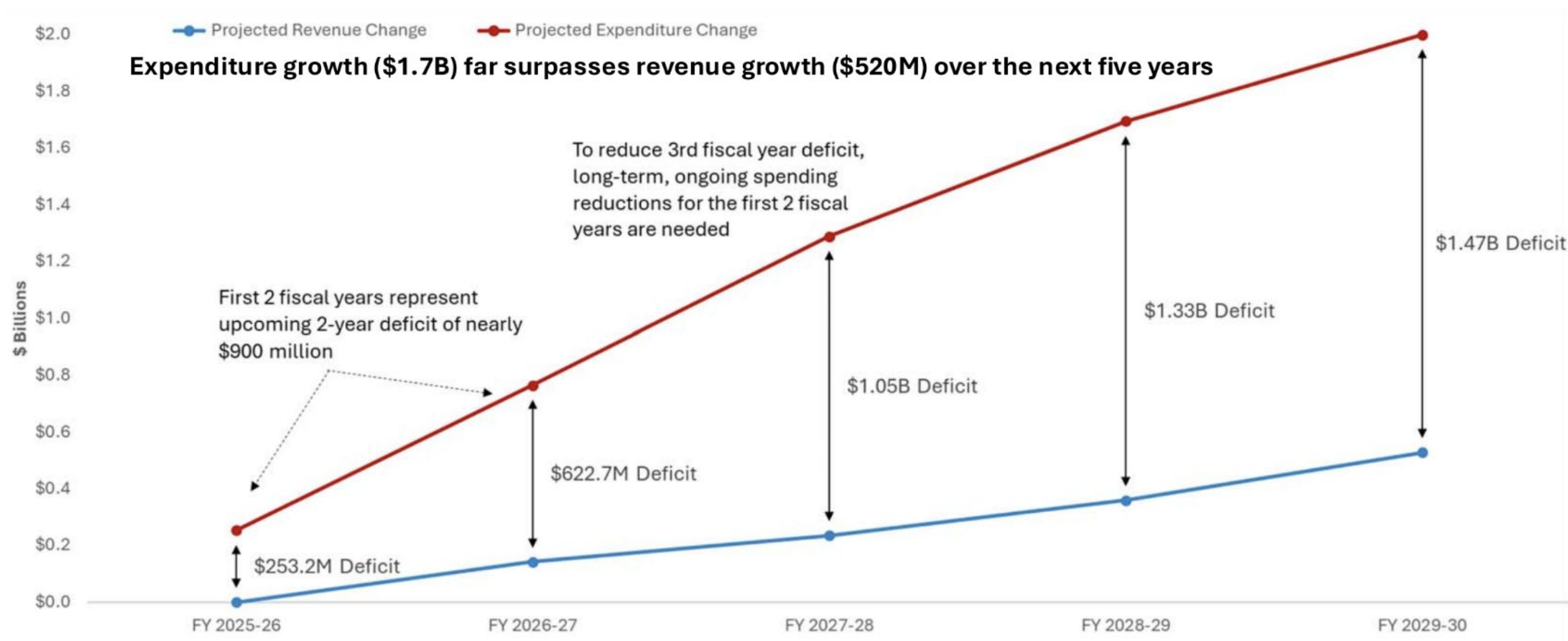


**What is a “structural deficit”?**

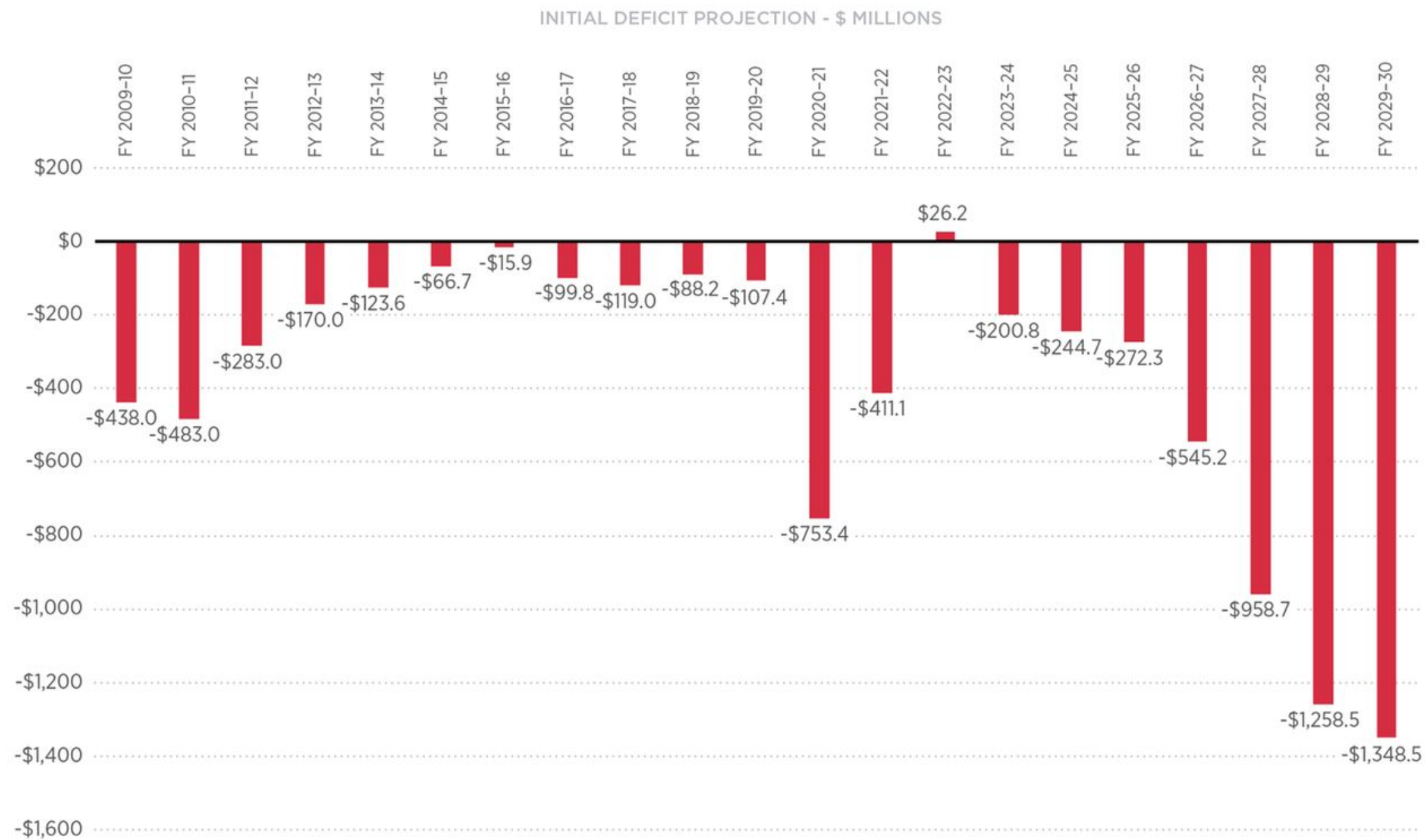


**While revenues continue to grow, expenses are growing faster. This is what's known as a “structural deficit.”**

The City doesn't have enough money to pay for all of the things that it needs without reducing expenses or bringing in more revenue.



Source: Fiscal Outlook and Department Budget Instructions, December 2024



**Without corrective action the city's general fund deficit could grow to \$1.47 billion by fiscal year 2029–2030**

Over the next five years, the city's revenue outlook is expected to improve, but it will be tempered by post-pandemic economic realities and the depletion of one-time funding sources. At the same time, the cost of city services is projected to grow significantly, widening the gap between revenues and expenses and resulting in much larger deficits if the imbalance isn't corrected.

*Source: SPUR analysis of the City and County of San Francisco's five-year financial plans.*



What’s the Process to Pass a Balanced Budget?

Every year, San Francisco’s mayor and Board of Supervisors work together to adopt a balanced budget that establishes the city’s service and program priorities for the next two fiscal years and allocates resources to pay for them.

