

**COUNTY OF SAN DIEGO
GENERAL FUND VARIANCES
Fiscal Year 2025-26 3rd Quarter**

GENERAL FUND EXPENDITURE VARIANCES

The projected lower than budgeted expenditures generating an overall positive expenditure variance of \$130.7 million in the General Fund are primarily attributable to the following:

Salaries & Benefits

\$0.3 million in projected overall Salaries & Benefits negative appropriation variance. As of April 1, 2026, the vacancy rate (including newly added positions) was 5.8% (1,169 of 20,285 positions).

Public Safety Group

In PSG, the projected overall negative expenditure variance is \$12.5 million. This is primarily due to costs associated with an average daily population which has risen by approximately 300-500 incarcerated persons as a result of Proposition 36, *The Homelessness, Drug Addiction, and Theft Reduction Act implementation* (Prop 36).

Health and Human Services Agency

In HHSA, the projected overall negative expenditure variance of \$6.2 million is attributed primarily to salaries & benefit costs exceeding the projected appropriation capacity available to absorb the impact of the new labor agreement and due to higher than budgeted overtime and lower vacancy rate than budgeted as well as overtime costs.

Land Use and Environment Group

In LUEG, the projected overall positive expenditure variance of \$10.1 million is primarily due to vacancies and under-filled positions.

Finance and General Government Group

In FGG, the projected overall positive expenditure variance of \$8.2 million is primarily due to a reduction in the number of Vote Centers required for the November 4, 2025 Special Statewide Election.

Services & Supplies

\$125.1 million in projected positive appropriation variance in Services & Supplies across the County.

Public Safety Group

In PSG, projected overall positive expenditure variance of \$41.7 million is due to mitigation strategies and cost reductions in various accounts including property insurance, software, safety devices, travel and training, uniform allowance, professional & specialized services, contracted services, fuel and facilities management costs, and cancelled and deferred major maintenance projects in the Sheriff's Office, lower than anticipated costs related to interim housing and residential treatment programs as a result of less referrals and a temporary reduction in the number of providers in the Probation Department, in Public Safety Executive Office due to revising the program structure of the resource and reentry hub, and lower expenses related to information technology and contracted services in the Department of Child Support Services.

Health and Human Services Agency

In HHSA, projected overall positive variance of \$66.9 million is in various departments, which consists of positive variances in:

- Behavioral Health Services (BHS) is driven by operating costs primarily for contracted services associated with a range of mental health and substance use disorder programs to align with anticipated spending which adjusts for contractor staffing vacancies and projected utilization in residential bed days, offset by negative variances in one-time IT resource needs and temporary staffing costs at the San Diego County Psychiatric Hospital (SDCPH).
- Housing and Community Development Services (HCDS) in No Place Like Home (NPLH) due to the grant being fully utilized and no further projects planned, fully grant-funded carry forward prior year encumbrances that are no longer needed after aligning the expenditure with the current funding allocation, with no impact to service or to local funds, partially offset by projected expenditures tied to Aging and Independence Services (AIS) and Child and Family Well-Being (CFWB) to mitigate appropriation impacts which will be resolved with a budget transfer.
- Child and Family Well Being (CFWB) is primarily driven by projected amounts in HHCDs to mitigate the S&B negative variance and lower than anticipated operating costs associated with travel, transportation and utilities ISFs.
- Aging and Independence Services (AIS) is primarily due to contracted services driven by deferred Modernizing Older Californians Act (MOCA) Nutrition activities that will be used in future years to meet increased demand for meals in the California Department of Aging (CDA) Older Californians Nutrition Program, helping reduce waitlists and maintain service levels for vulnerable older adults, the conclusion of Supplemental Nutrition Assistance Program Education (SNAP-Ed) funding, completion of one-time allocations, carryover encumbrances from prior years that are no longer needed, and lower participation in the Multipurpose Senior Services Program (MSSP); operating costs to align with current spending; and in HCDS to mitigate the S&B and S&S

negative variance. These are partially offset by negative variances from an adjustment to the In-Home Supportive Service (IHSS) Maintenance of Effort (MOE) resulting from an approved wage increase negotiated with the United Domestic Workers and an increase in allocations for participants in the San Diego Veterans Independence Service at Any Age (SD-VISA) program. A negative variance would have been projected in Services & Supplies, but appropriation capacity is available in HCDS maintain a zero overall expenditure variance for AIS, pending the transfer of appropriation.

These are offset by negative variance in Self-Sufficiency Services primarily tied to increases in contracted services based on revised allocations for CalWORKs Housing Support Program associated with California Department of Social Services redistribution of unspent prior year funding, in Public Health Services due to various operating cost to align with spending trends, and in Administrative Support driven by higher than anticipated operating costs associated with Facilities Internal Service Fund (ISF), including utilities, mailing and other facility-related costs, offset by lower than anticipated IT costs based on current spending trends.

Land Use and Environment Group

In LUEG, projected overall positive variance of \$4.8 million primarily in Department of Public Works due to lower than anticipated use of equipment rental in Closed Landfill, completion of stormwater projects, reduced fleet cost, and less support from other County departments, in the Department of Environmental Health and Quality due to a reduction in Special Department Expense for reduced larvicide purchases for Vector Control Program and reduced consultant services needed, in Agriculture, Weights and Measures due to reclassification of funding from a cancelled major maintenance capital project, and in Planning and Development Services due to schedule changes to one-time projects and reduced consultant contract spending.

Finance and General Government Group

In FGG, projected overall positive variance of \$11.7 million is primarily in Assessor/Recorder/County Clerk related to delays of the Archives Collection Management System and the procurement of a cloud-based integrated Recorder/County Clerk Vital Records system, offset by increased software costs associated with Mainframe roadmap projects and maintenance of the Assessor's legacy IT systems, in Registrar of voters due to delays with the replacement of the election management system and the reduction in the number of Vote Centers, in County Counsel due to delays in technology projects relating to the replacement of the department's case management system, and in Human Resources due to lower than anticipated costs related to pre-employment medical screenings and information technology costs that are charged to the Employee Benefits ISF, and contracted services related to miscellaneous insurance costs.

Other Charges

A projected positive appropriation variance of \$7.9 million in Other Charges is primarily in Self-Sufficiency Services due to CalWORKs programs and in the General Relief program primarily due to lower than budgeted caseload levels, and in Countywide General Expense due to disallowance in the Small Business Stimulus Grant (SBSG) program costs originally funded by American Rescue Plan Act (ARPA) revenue. These are offset by higher than anticipated costs for medical and mental health services contracts for the incarcerated population, including impacts due to Prop 36 implementation.

Capital Assets Equipment

A projected positive appropriation variance of \$0.8 million in Capital Assets Equipment is in HHSA primarily in PHS due to the termination of the mobile health lab contract and the elimination of planned equipment purchases for the lab due to the anticipated conclusion of the Epidemiology & Laboratory Capacity Enhancing Detection Expansion grant.

Capital Assets Software

A projected positive appropriation variance of \$0.5 million in Capital Assets Software is in the Sheriff's Office due to one-time costs supported by grant revenues that will be deferred to the next fiscal year.

Expenditure Transfer & Reimbursements

A projected negative appropriation variance of \$3.4 million in Expenditure Transfer & Reimbursements primarily in Behavioral Health Services due to the conclusion of a Public Safety Group agreement, with efforts being redirected to support the Department of Health Care Services mandated outpatient treatment services under the Next Move Program and in Child Support Services due to lower than anticipated expenditures in the Bureau of Public Assistance Investigations for cost of staffing and services reimbursed by Health and Human Services Agency.

GENERAL FUND REVENUE VARIANCES

The projected under-realized revenue of \$105.6 million includes positive variances totaling \$33.6 million and negative variances of \$139.1 million. In many instances, the negative revenue variances are directly associated with the positive expenditure variances described above, that is, the County does not receive the supporting revenue when a cost is not incurred.

*The projected **positive revenue variance** of \$33.6 million is primarily attributable to the following categories:*

Taxes Other Than Current Secured

Taxes Other Than Current Secured are anticipated to be \$23.6 million above budget.

The revenue variances in Taxes Other Than Current Secured are mainly in Sales and Use Taxes which assumes steady allocation from business-industry fulfillment centers and modest growth from countywide use tax pools largely due to continued strength in online sales, in Teeter Tax Reserve Excess based on returned excess Teeter Tax Reserve requirement on current penalty and interest collections and available data on the outstanding receivables and projections through the end of the fiscal year, in Documentary Transfer Tax due to projected home prices remaining high with projection of a slight increase in sales volume, in Transit Occupancy Tax based on prior year receipts and continued growth in the hotel industry and tourism as a whole, in Aircraft Unsecured Tax projected to be higher than budget based on year-to-date current year actuals going higher than expected, Teeter Property Tax Cumulative Prior Years due to higher collection of receivables from prior fiscal year.

Revenue from Use of Money & Property

Revenue from Use of Money & Property (\$7.1 million) is positive in General Purpose Revenue due to a slightly higher interest rate than what was budgeted as the market effectively pushed out expectations for Federal Reserve rate cuts for the foreseeable future and in Behavioral Health Services for interest posted.

Miscellaneous Revenues

Miscellaneous Revenues (\$2.8 million) variance is primarily due to an increase of Opioid Settlement Funds for medical costs associated with the Medication Assisted Treatment (MAT) program for the incarcerated population, lower than anticipated costs related to pre-employment medical screenings and information technology costs that are charged to the Employee Benefits ISF, recoupment of payments in contracted services from prior year adjustments, less than anticipated transfers from the Environmental Trust Fund as a result of lower expenditures offset by a reimbursement from the Small Business Loan Program and various departmental escheatment, closure of Flex Forfeitures Trust Funds

and one-time unanticipated Port Payment for the Chula Vista Bayfront Project, and the SD-VISA program.

*The projected **negative revenue variance** of \$139.1 million is primarily attributed to:*

Intergovernmental Revenues

\$109.2 million in projected negative revenue variance in Intergovernmental Revenues across the County.

Public Safety Group

In PSG (\$27.6 million), the variance is primarily due to lower than anticipated costs for Community Corrections Subaccount, State and federal homeland security initiatives, Byrne Justice Assistance Grant, Community Project Funding, Domestic Cannabis Eradication and Suppression Program grants, lower reimbursements for eligible expenditures from Community Assistance, Recovery, and Empowerment (CARE) Court and in Edward Byrne Memorial Justice Assistance Grant (JAG), lower than anticipated State and federal reimbursement revenue related to the expenditure savings in the Bureau of Public Assistance Investigations for cost of staffing and services, and lower than anticipated costs funded by Hazard Mitigation grant .

Health and Human Services Agency

In HHSA (\$71.8 million), the variance is in various departments. This consists of negative variances primarily in:

- Behavioral Health Services (BHS) primarily tied to realignment revenue to align with spending and to align federal and State funding to anticipated billable service units and aligning grant funding with overall anticipated expenditures.
- Housing & Community Development Services (HCDS) primarily due to unobligated No Place Like Home (NPLH) projects, and prior year encumbrances, offset by increased revenue associated with Housing Opportunities for Persons with AIDS (HOPWA) and Community Development Block Grant (CDBG), and funding associated with pending appropriations adjustments for Aging and Independence Service (AIS) and Child and Family Well-Being (CFWB).
- Public Health Services (PHS) primarily driven by revised estimates for PHS grant revenues, including adjustments to the Immunization Action Plan grant funding to align with the workplan, updated COVID-19 Expanding Laboratory Capacity funding, and changes in California Children's Services (CCS) based on actual State allocation, along with realignment revenues to align with spending.
- Aging and Independence Services (AIS) due to appropriation adjustments from HCDS to mitigate appropriation impacts, deferred funding for MOCA nutrition, lower participation than anticipated in the MSSP program, SNAP-Ed federal funding ending, and to align budget with the completion of one-time, multi-year funding and carryover encumbrances from prior years that are no longer needed, partially offset by positive

variances in additional CDA revenue mainly tied to a time extension for State General Fund nutrition program utilization, in social services administrative revenues to align with allocations and projected spending, and from an augmentation in IHSS Public Authority administrative funding.

Land Use and Environment Group

In LUEG (\$2.4 million), the variance is primarily due to delays in grant related projects.

Finance and General Government Group

In FGG (\$9.6 million), the variance is primarily due to reimbursable costs tied to the replacement of the election management system and reduced number of Vote Centers for the November 4, 2025 Special Statewide Election.

Finance Other

In Finance Other, a positive variance of \$2.2 million is primarily due to pass-through distributions and residual balance estimates in Aid from Redevelopment Successor Agencies offset by a disallowance of prior fiscal year ARPA revenues for the Small Business Stimulus Grant (SBSG) program.

Charges for Current Services

Charges for Current Services (\$10.8 million) is due primarily in Recorder trust fund revenues due to delays of the Archives Collection Management System and procurement of a cloud-based integrated Recorder/County Clerk Vital Records system, and legislative change limiting the use of these funds for the County Recorder Archives and trusted systems; in AB 2890 Recovered Costs due to less than anticipated supplemental property tax revenues due to few property sales than anticipated; and in Marriage Ceremony Fee due to fewer than anticipated marriage ceremonies performed, a decline in billable activities for land development, project planning, and building projects due to staff vacancies, and reduced labor charges for land development projects and other County funded projects.

Other Financing Sources

Other Financing Sources (\$10.7 million) in Securitized Tobacco tied to delays on Behavioral Health Workforce development that will be re-budgeted in Fiscal Year 2026-27.

Fines, Forfeitures & Penalties

Fines, Forfeitures & Penalties (\$4.2 million) variance is primarily due to lower than anticipated costs for the Cal-ID program.

Taxes Current Property

Taxes Current Property (\$3.3 million) variance is primarily in Current Secured Property Taxes due to lower than budget primarily due to factoring in anticipated assessed value (AV) growth once the roll was closed and Current Secured Supplemental Property Tax due to the decrease in supplemental billings in Fiscal Year 2025-26.

Licenses, Permits & Franchises

Licenses, Permits & Franchises (\$1.0 million) variance in primarily in the Department of Environmental Health and Quality due to a lower volume of permit renewals.

GENERAL FUND PROJECTION NOTES

The General Fund year-end fund balance projection includes receipt of additional Federal Emergency Management Agency (FEMA) revenue to cover costs incurred. Total FEMA costs are currently estimated at \$437.0 million. This includes \$438.3 million of costs incurred from the beginning of the pandemic through May 11, 2023, when FEMA eligibility ended, \$2.4 million for Fiscal Year 2024-25 for allowable administrative costs to manage the grant beyond the FEMA eligibility date, and \$1.3 million disallowed by FEMA. To date, a total of \$323.5 million in FEMA reimbursement payments have been received. The remaining balance of \$113.7 million, which includes the 10% withhold amount as part of the FEMA close out process, is anticipated to be received in future fiscal years. County staff continue to actively monitor federal actions and legislation, which may impact FEMA reimbursements or other federal revenues, and are evaluating the potential impacts of these actions.