

Presentation to Budget & Appropriations Committee

Analysis of Non-Profit Sustainability & Pay Equity

April 28, 2021

San Francisco Board of Supervisors

Budget & Legislative Analyst's Office



Report Contents

- History & Implementation of the Minimum Compensation Ordinance (MCO)
- Cost of Doing Business (CODB) Increases for Non-Profits
- Additional Considerations



Primary Questions & Focus

1. Is City ensuring viability and sustainability of non-profit partners?
 2. Is funding keeping up with the cost of doing business and City mandates?
- Focus on Four Departments:
- DCYF
 - DPH
 - HSH
 - HSA

Overview of the MCO

□ Initially Adopted in 2000

- Admin Code Chapter 12P
- Minimum Hourly Compensation & Paid Time Off Requirements
- Funding Availability Prerequisite for Increases

□ Amended in 2007 & 2018

- Established Separate Rates by Sector
- Clarified Enforcement Provisions & Established Non-Profit Working Group

□ Current MCO Rates

- For-Profit Contractors: \$18.24 (5 or more staff; \$25k+)
- **Non-Profit Contractors: \$17.05 (5 or more staff; \$50k+)**
- Public Entities (IHSS): \$17.25

Non-Profit Working Group

- Created by 2018 Amendment to MCO
 - City, Non-Profit, and Labor Union Staff Represented

- Asked to Address MCO-Related Concerns
 - Wage Equity
 - Wage Compaction

- Recommendations & Cost Estimates
 - Non-Profit MCO Increase: \$1.3 million
 - To Address Wage Compaction: \$12.9 million
 - To Address Wage Equity: \$12.7 million
 - Controller to Survey & Recommend Allocations

2019 Controller Survey & MCO Allocation

- FY 2019-21 Two-Year Budget MCO Allocation
 - Mayor budgeted \$3.3 million; Board increased to \$5.8 million for non-profit contractors to offset MCO increase

- Controller Application Process to Address:
 - Direct wage increases to align with new MCO
 - Wage Compaction
 - Wage Equity

- Allocations Made for Direct Wage Increases & Wage Compaction, but not for “Wage Equity”

- Data Validation Issues Noted

FY 2020-21 MCO Allocation

- Mayor's proposed budget did not fund an MCO increase due to projected budget shortfalls
- Board of Supervisors appropriated \$2.1 million for MCO increase
 - Contingent on passage of Prop F in November 2020 (Business Tax Overhaul)
- Controller's Office used 2019 survey data to estimate cost of MCO for non-profits through 6/30/22
 - FY 2020-21 (starting 12/8/20): \$1.5 million
 - FY 2021-22: \$2.8 million



Allocation & Implementation Challenges

- City has No Legal Responsibility to Support:
 - Wage Equity (for workers on non-City contracts)
 - Wage Compaction (for workers making more than the MCO)

- No Citywide Policy Defining Responsibility

- Non-Profits Vary Tremendously
 - Staff may live or work across multiple jurisdictions

Allocation & Implementation Challenges (continued)

- Current Process for Allocating MCO Funding is Relatively New
- No “one size fits all” Formula for Determining Need
- Data Issues
 - Controller Survey was a One-Time Effort
 - Validity Concerns
 - *Policy Option*

Nonprofit MCO Increases vs. Bay Area CPI

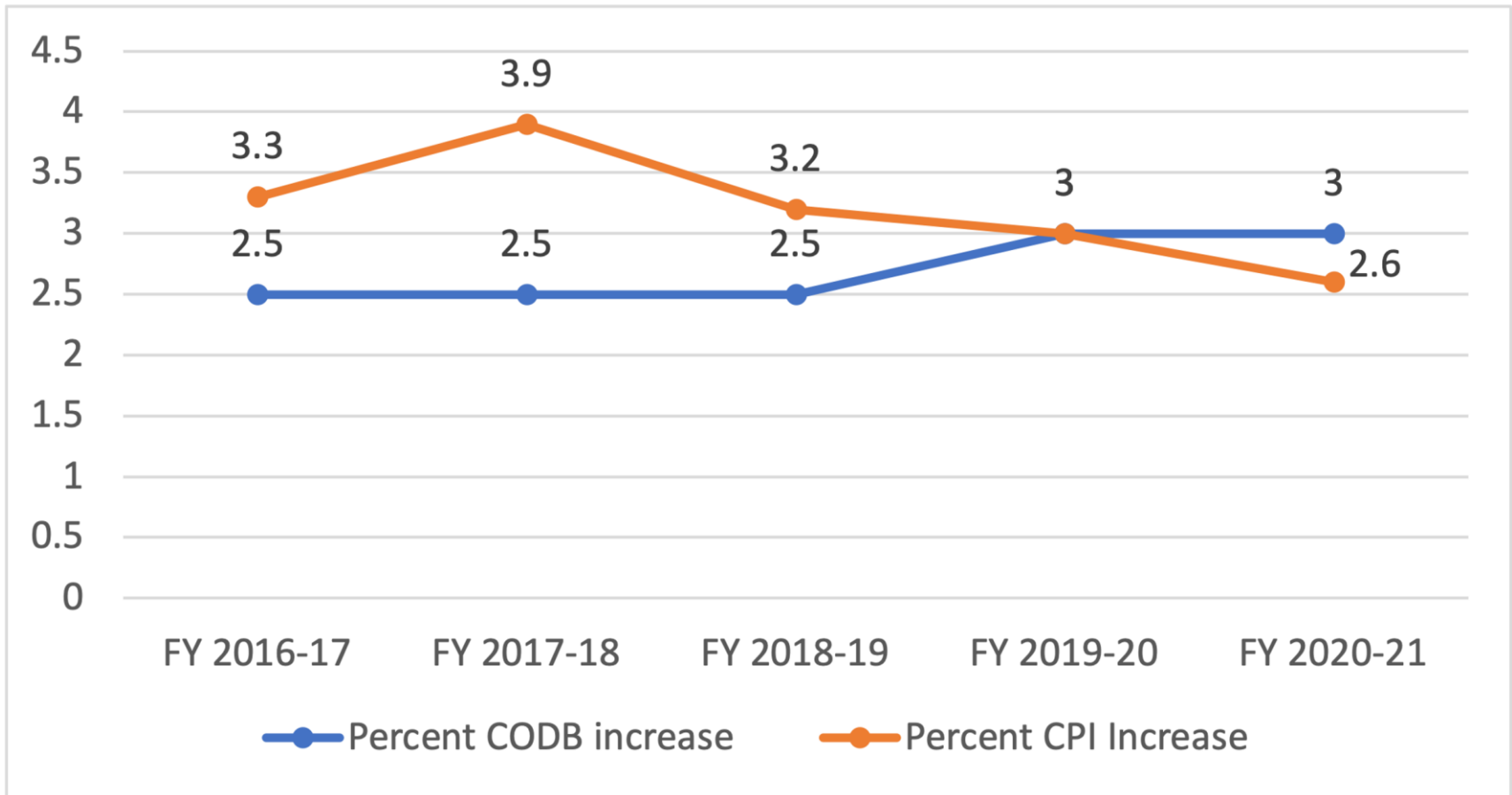
Year	CPI Percent Increase	Actual MCO Wage (Nonprofits)	CPI Adjusted Wage	Difference
2010	1.4	\$11.54	\$11.54	--
2011	2.6	\$11.69	\$11.70	(\$0.01)
2012	2.7	\$12.06	\$12.01	\$0.05
2013	2.2	\$12.43	\$12.33	\$0.10
2014	2.8	\$12.66	\$12.60	\$0.06
2015	2.6	\$13.02	\$12.95	\$0.07
2016	3.0	\$13.34	\$13.29	\$0.05
2017	3.2	\$14.00	\$13.69	\$0.31
2018	3.9	\$15.00	\$14.13	\$0.87
2019	3.3	\$16.50	\$14.68	\$1.82
2020	1.7	\$17.05	\$15.16	\$1.89



“Cost of Doing Business” Support

- City Funding Provided to Non-Profit Contractors to Adjust for Overall Year-to-Year Cost Increases
- General City Policy to Encourage Contractors to Use for Salary Increases

Cost of Doing Business Support (continued)



Cost of Doing Business Support (continued)

- Subject to the City's Budgeting Process
 - Uncertainty of CODB Increases and Timing is a Challenge for Departments

- FY 2020-21 CODB Increase was One-Time
 - Difficult for Non-Profits to Build One-Time Increases into Salaries (an Ongoing Cost)
 - *Policy Option*



Additional Considerations

- Inequities in Pay between City and non-City Staff Performing Comparable Work
- How Much Funding for Services is the City Not Covering?



Policy Option on CODB Funding Increases

The Board of Supervisors could request that the Controller's Office and Mayor's Budget Office explore and report back to the Board on opportunities to regularly set a CODB funding level that includes any anticipated increased needs for MCO funding, which would provide more predictable increases to departments and nonprofit contracts on an annual and ongoing basis.



2nd Policy Option on CODB Increases

The Board of Supervisors could request that the Controller's Office consider leading a regular periodic survey, at least every three to five years, of the City's nonprofit contracting partners to help assess the state of their workers and sustainability of services. Such a survey should include: (a) the number of workers at or just above the MCO wage rate and (b) other funding sources leveraged to help address various concerns around the MCO.

Questions?

