



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

July 10, 2024

RE: File 240676 – Charter Amendment Revising the Student Success Fund

Dear Ms. Calvillo,

Should the proposed Charter amendment be approved by the voters, in my opinion, it would have a significant impact on the cost of government in that it would reallocate funds that would otherwise be available to the General Fund.

The proposed Charter amendment would revise the Student Success Fund, an existing set-aside fund in the Charter, which was adopted by voters in November 2022. The Student Success Fund pays for grants from the City to eligible schools in the San Francisco Unified School District that apply. The grants support academic achievement and social/emotional wellness of students through a community school approach, which may include school nurses, in-classroom tutors, literacy and math specialists, academic coaches, social workers, specialized curriculum, and school psychologists.

The Charter amendment clarifies that monies in this fund may not “replace, supplant, count as, or substitute for” any other funding requirements in the Charter for services to children and youth and the San Francisco Unified School District. This includes the Children and Youth Fund baseline and the Public Education Enrichment Fund baseline. Since the Student Success Fund’s inception, the City has counted the entirety of Student Success Fund appropriations toward meeting the Children and Youth baseline spending requirement. Those amounts are \$11 million in Fiscal Year (FY) 2023-2024, \$35 million in FY 2024-25, and \$45 million in FY2025-26.

Should the proposed Charter amendment be approved by the voters, the City would no longer be able to count appropriations and spending in the Student Success Fund towards the Children and Youth Fund Baseline. Currently the City’s budget is balanced by overlapping these two baselines. Therefore, the Mayor and Board of Supervisors could need to appropriate additional money towards children and youth services up to \$35 million in FY 2024-25, \$45 million in FY 2025-26, and \$60 million in FY 2026-27. The City would need to balance these amounts either with new revenues or reductions in other expenses. In some past years, during the normal budget process, the Mayor and Board of Supervisors have budgeted funds in excess of the minimum legal requirements for services to children and youth. If this were to occur in future budgets, the

financial impact of the proposed Charter amendment would be reduced, since a lower level of new funding would be legally required to replace Student Success Fund's contribution toward the Children and Youth baseline. For context, over the past five fiscal years, the City appropriated approximately \$35 million more per year for the Children's Services Baseline than is required – ranging from \$63.5 million in FY 2021-22 to \$1.6 million in FY 2023-24.

In subsequent years, the City shall appropriate at least as much as was appropriated the previous year and as much as 3% more than the previous year. The proposed amendment clarifies that the City can reduce the annual appropriation to \$35 million in years where the City projects a budget deficit of \$200 million or more. The Student Success Fund will expire on December 31, 2038, unless the voters renew it. Over the next 14 years when the fund would be active, total costs – depending on the financial health of the City and budgetary decisions of the Mayor and Board of Supervisors – would range from up to \$490 million to \$1.1 billion.

The proposed amendment is not in compliance with a non-binding, voter-adopted city policy regarding set-asides. The policy seeks to limit set-asides which reduce General Fund dollars that could otherwise be allocated by the Mayor and the Board of Supervisors in the annual budget process. For context, in the FY 2023-24 budget, all baseline requirements (including those related to children and youth services) totaled \$2.1 billion, or 30.7% of the total \$6.8 billion General Fund budget.

Sincerely,

Janice Levy FOR
Greg Wagner
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.