

File No. 230661

Committee Item No. 12

Board Item No. 33

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Appropriations Committee Date June 28, 2023

Board of Supervisors Meeting Date July 25, 2023

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
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OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>MYR Budget Submission Letter 6/1/2023</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>MYR Trailing Legislation List</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>MYR 30-Day Waiver Request</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Presidential Action Memo - 30-Day Waiver 6/5/2023</u> |
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Completed by: Brent Jalipa Date June 23, 2023

Completed by: Brent Jalipa Date June 29, 2023

1 [Business and Tax Regulations Code - Early Care and Education Commercial Rents Tax
2 Baseline]

3 **Ordinance ~~reducing~~ modifying the baseline funding requirements for early care and
4 education programs in Fiscal Years 2023-2024 and 2024-2025, to enable the City to use
5 Early Care and Education Commercial Rents Tax revenues for those programs.**

6
7 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
8 **Additions to Codes** are in *single-underline italics Times New Roman font*.
9 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
10 **Board amendment additions** are in double-underlined Arial font.
11 **Board amendment deletions** are in ~~strikethrough Arial font~~.
12 **Asterisks (* * * *)** indicate the omission of unchanged Code
13 subsections or parts of tables.

14 Be it ordained by the People of the City and County of San Francisco:

15 Section 1. Findings.

16 In June 2018, the voters approved Proposition C, which imposed a new tax on the
17 gross receipts from the lease of commercial space in properties in the City (the "Tax"). The
18 ballot measure required the City to spend 85% of the revenues from the Tax to fund quality
19 early care and education for young children. At the time, the City already provided significant
20 funding (the "Base Amount") to early care and education programs ("Baseline Programs").

21 Proposition C added to that existing funding for Baseline Programs, and provided that
22 in any given fiscal year, the City can spend Tax revenues only if it has also appropriated
23 separate funds for Baseline Programs in an amount equal to at least the Base Amount
24 (subject to some adjustments by the City Controller). The intent of Proposition C was to
25 ensure dedicated revenues to increase funding for quality early care and education for San
Francisco children under the age of six, and to prevent supplanting existing funding.

1 ~~But to allow flexibility,~~ While the voters authorized the Board of Supervisors to amend
2 ~~or repeal the measure by ordinance,~~ they did not intend revenues from the Tax to be used to
3 fill other budgeting priorities. The goal of the measure was to a establish a dedicated funding
4 source to realize the goals of a universal early care and education system. Under Business
5 and Tax Regulations Code Section 2113, ~~the amendment does not require~~ the Board may
6 amend the measure without a supermajority vote ~~and does not require~~ or any specific
7 findings.

8 The City uses funding from a variety of sources, including State and Federal grants, for
9 early learning scholarships, compensation for early educators, parenting support, childcare
10 facilities, and additional programs. Despite these investments, there is still a gap in meeting
11 the needs of families of young children and expanding quality early care and education. This
12 requires an ongoing strategy to increase wages and benefits for early care educators; to
13 recruit and retain the workforce; to expand and improve access to child care slots for families
14 up to 200% of Area Median Income, particularly for infants and toddlers; and to develop other
15 measures that support the physical, emotional, and cognitive development of children under
16 six. The City is facing a \$780 million deficit while many of the essential programs that support
17 our most vulnerable communities have been cut by Federal and State emergency funding.

18 By using ~~Tax revenues~~ interest earned in the Babies and Families First Fund to fund
19 Baseline Programs previously funded from the General Fund, the City can redirect those
20 General Fund monies that would have funded Baseline Programs toward other essential
21 services for children and families, including food access programs. This Ordinance is an
22 extraordinary step that balances the budget without a long-term funding solution for ongoing
23 essential programs. Thus, this approach is a one-time emergency solution that should not be
24 repeated in future years. This Ordinance temporarily modifies the baseline requirements in
25 Business and Tax Regulations Code Section 2112(f) and (g) for Fiscal Years 2023-2024 and

1 2024-2025 to ~~reduce~~ credit against the Base Amount interest earned in the Babies and
2 Families First Fund. This modification will allow the City to respond to early child care and
3 education needs by appropriating funds from the Tax to support Baseline Programs without
4 also appropriating separate funds at the level June 2018 Proposition C would have otherwise
5 required.

6
7 Section 2. Modification of Baseline Provisions in Proposition C.

8 Pursuant to Business and Tax Regulations Code Section 2113, the Board of
9 Supervisors temporarily modifies Article 21 of the Business and Tax Regulations Code to:

10 (a) Credit against the Base Amount, as that term is defined in Section 2103, interest
11 earned in the Babies and Families First Fund in Fiscal Years 2023-2024 and 2024-2025 and
12 prior Fiscal Years in the amounts of up to \$20,000,000 for Fiscal Year 2023-2024 and up to
13 \$10,000,000 for Fiscal Year 2024-2025. These credits shall not be applied against the Base
14 Amount in any Fiscal Year where the cash balance in the Babies and Families First Fund as
15 of July 1 of that Fiscal Year is less than \$100 million; and

16 (b) In Fiscal Year 2024-2025, not increase the Base Amount, as that term is defined in
17 Section 2103, as required in Section 2112(g) despite any increase in aggregate City
18 discretionary revenues in that fiscal year, unless the City's projected budget deficit for that
19 year at the time of the Joint Report or Update to the Five Year Financial Plan in March 2024 is
20 less than the amount referenced in Section 2112(h) after annual adjustments.

21 ~~reduce the Base Amount, as that term is defined in Section 2103, by \$20,000,000 in~~
22 ~~Fiscal Year 2023-2024 and by \$10,000,000 in Fiscal Year 2024-2025, and to suspend any~~
23 ~~growth in the Base Amount in those two fiscal years.~~

1 Section 3. Effective Date. This ordinance shall become effective 30 days after
2 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
3 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
4 of Supervisors overrides the Mayor's veto of the ordinance.

5
6 APPROVED AS TO FORM:
7 DAVID CHIU, City Attorney

8 By: /s/ _____
9 JON GIVNER
Deputy City Attorney

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LEGISLATIVE DIGEST
(Amended in Committee, 6/22/2023)

[Business and Tax Regulations Code - Early Care and Education Commercial Rents Tax Baseline]

Ordinance modifying the baseline funding requirements for early care and education programs in Fiscal Years 2023-2024 and 2024-2025, to enable the City to use Early Care and Education Commercial Rents Tax revenues for those programs.

Existing Law

In June 2018, the voters approved Proposition C, which imposed a new tax on the gross receipts from the lease of commercial space in properties in the City. The ballot measure required the City to spend 85% of the revenues from the tax to fund quality early care and education for young children through the City's Babies and Families First Fund. When the voters adopted Proposition C, the City already provided funding to early care and education programs. Proposition C referred to that funding as the "Base Amount" of money to pay for "Baseline Programs." Proposition C added to that existing funding for Baseline Programs. The ballot measure stated that in any given fiscal year, the City can spend tax revenues only if it has also appropriated separate funds for Baseline Programs in an amount equal to at least the Base Amount (subject to some adjustments by the City Controller).

Since the passage of Proposition C, the City has collected interest on the tax revenues in the Babies and Families First Fund. Like the revenues from the tax, that interest must be used to pay for early care and education programs.

Proposition C authorized the Board of Supervisors to amend the measure by ordinance in the future.

Amendments to Current Law

The proposed ordinance would temporarily modify the baseline requirements for Fiscal Years 2023-2024 and 2024-2025 to credit against the Base Amount interest earned in the Babies and Families First Fund. This modification would allow the City to appropriate funds from the tax to support Baseline Programs without also appropriating separate funds at the level June 2018 Proposition C would have otherwise required. The proposed ordinance would also suspend the annual increase in the Base Amount in Fiscal Year 2024-25 unless the City's projected budget deficit for that year is less than a specific amount calculated under Proposition C.

The proposed ordinance includes findings that the ordinance is an extraordinary step and that the ordinance is a one-time emergency solution that should not be repeated in future years.

FILE NO. 230661

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<p>Item 12 File 23-0661 <i>(Continued from 6/22/23 meeting)</i></p>	<p>Department: Early Childhood (DEC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would modify the Early Care and Education baseline funding requirements by allowing \$20,000,000 in FY 2023-24 and \$10,000,000 in FY 2024-25 to be funded by interest earned in the Babies and Families First Fund. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Early Care and Education Commercial Rents Tax was authorized by the voters in June 2018 with the passage of Proposition C. Revenues from this tax on commercial rents are deposited into the Babies and Families First Fund, with 15 percent then transferred to the General Fund and the remaining funds generally restricted to early care and education spending. Proposition C also required that the City maintain existing spending on early care and education programs. Growth in this baseline funding may be suspended if the City projects a budget deficit. • The required baseline funding in FY 2022-23 is \$93.2 million. Baseline growth for FY 2023-24 was suspended due to the City’s projected deficit of \$290.9 million that year. • The Department reports that its proposed budget includes interest revenues and use of fund balances, such that the FY 2023-24 proposed budget will not result in a decrease to early care and education programs and services relative to FY 2022-23 levels. Total Department spending in FY 2022-23 is projected to be \$282.5 million based on current expenditure rates; the proposed FY 2023-24 Department budget is \$324.5 million. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinance will reduce General Fund support of early care and education programs in the Department of Early Childhood by providing a credit for interest earned on fund balances in the Babies and Families First Fund. As such, funding for those early care and education programs would be shifted to Babies and Families First Fund. • If the Board does not approve the proposed ordinance, General Fund baseline spending requirements for early care and education services will be \$20 million higher than budgeted in FY 2023-24 and \$10 million more than budgeted in FY 2024-25. Meeting those requirements would require re-allocation of General Fund monies to early care and education programs. • General Fund support of food access programs in the Human Services Agency is increasing \$20,999,899 in FY 2023-24 and \$11,027,103 in FY 2024-25 to replace one-time funding and prior year fund balances used in FY 2022-23 <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

Charter Section 2.105 requires that legislative acts in San Francisco be by ordinance, subject to approval by a majority of the Board of Supervisors.

Business and Tax Regulations Code Section 2113 states that amendments to or repeal of Article 21 of the Business and Tax Regulations Code are subject to Board of Supervisors approval by ordinance without voter approval.

BACKGROUND

The Early Care and Education Commercial Rents Tax was authorized by the voters in June 2018 with the passage of Proposition C and went into effect on January 1, 2019. The tax applies to businesses leasing commercial space that are subject to the City’s gross receipts tax and is in addition to gross receipts or payroll taxes paid by businesses in the City.¹ Revenues from this tax on commercial rents are deposited into the Babies and Families First Fund, with 15 percent then transferred to the General Fund and the remaining funds generally restricted to early care and education spending.

Proposition C also required that the City maintain existing spending on early care and education programs at the FY 2017-18 level, adjusted annually by the changes in the City’s discretionary revenues. The City may suspend growth in the early care and education baseline funding if the City’s projected budget deficit at the time of the Joint Report of the Five-Year Financial Plan exceeds \$200 million (adjusted annually by changes in aggregate City discretionary revenues). The FY 2023-24 deficit trigger to suspend baseline growth is \$200.5 million.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance, as amended at the June 22, 2023 Budget & Appropriations Committee meeting, modifies the provisions of the Business and Tax Regulations Code by providing a credit against the General Fund baseline funding requirement of \$20,000,000 in FY 2023-24 and \$10,000,000 in FY 2024-25 for interest earned on fund balance in the Babies and Families First Fund. While this ordinance maintains the Early Care and Education baseline funding requirements as determined by the Controller’s Office of \$93.2 million in FY 2023-24 and \$97.1 million in FY 2024-25, those requirements will now be funded from the General Fund, Public Education and Enrichment Fund, and Children and Youth Fund, as well as from designated interest earnings in the Babies and Families First Fund.

¹ According to the Treasurer-Tax Collector’s Office, the gross receipts filing threshold was \$2,090,000 in 2022. Residential real estate providers are exempt.

Baseline Growth

According to Carol Lu at the Controller's Office, the required baseline funding in FY 2022-23 is \$93.2 million. Baseline funding in FY 2023-24 remains the same because of the City's projected deficit of \$290.9 million that year.²

The proposed ordinance would suspend any growth in the baseline amount in FY 2024-25 which would otherwise be adjusted by the Controller's determination of the increase in discretionary revenue, unless the Joint Report shows a projected budget deficit less than at least \$200.5 million (the actual trigger for FY 2024-25 will be calculated by the Controller's Office with the March 2024 Joint Report).

FISCAL IMPACT

The Mayor's Proposed Budget for FY 2023-24 and FY 2024-25 reduces the Department of Early Childhood (Department) General Fund appropriations by \$20.0 million in FY 2023-24 and \$10.0 million in FY 2024-25. The proposed ordinance applies a credit against the Early Care and Education baseline requirements using interest earnings on fund balances in the Babies and Families First Fund. The Controller reports that interest revenues available to be applied to FY 2023-24 baseline funding requirements are \$21.9 million (\$10.7 million earned in FY 2022-23 and \$11.2 million projected to be earned in FY 2023-24). For FY 2024-25, the Controller reports projected interest revenue available to apply to the baseline funding requirement will be \$10.5 million.

The Department reports that the Mayor's Proposed Budget will not result in a decrease to early care and education programs and services relative to FY 2022-23 levels. In order to maintain service levels, the Department reports that it will use \$10.3 million of fund balance and \$21.7 million in interest earnings over the proposed two-year budget that have or will be accrued to the Babies and Families First Fund and will now be considered part of Early Care and Education baseline funding, if the proposed ordinance passes. Total Department spending in FY 2022-23 is projected to be \$282.5 million based on current expenditure rates; the proposed FY 2023-24 Department budget is \$324.5 million.

Further, the Department reports that it will allocate \$160 million of the \$399.5 million balance on reserve³ to support the following investments in FY 2023-24:

- \$70 million for facility capacity expansion;
- \$30 million for workforce development; and
- \$60 million for Early Educator grant reserve.

² According to the March 2023 Joint Report.

³ There is \$399.5 million on reserve and an additional projected ending fund balance of \$54.2 million in the Commercial Rents Tax Special Revenue Fund. Further, the Department is projecting a year-end fund balance of \$37 million in the Public Education Enrichment Special Revenue Fund (PEEF), one-third of which is allocated to early care and education programs.

Current Requirements

If the Board does not approve the proposed ordinance, General Fund baseline spending requirements for early care and education services will be \$20 million higher than budgeted in FY 2023-24 and \$10 million more than budgeted in FY 2024-25. Meeting those requirements would require re-allocation of General Fund monies to early care and education programs.

Re-Allocation of Funding to Food Programs

The Mayor's Office reports that the General Fund spending otherwise required absent the proposed ordinance of \$20.0 million in FY 2023-24 and \$10.0 million in FY 2024-25 are being shifted to fund food access programs managed by the Human Services Agency.

In FY 2022-23, these food programs are funded by the General Fund using \$17.0 million in FY 2022-23 appropriations as well as \$14.0 million in prior year carryforward balances at a total cost of \$30.95 million primarily in the Disability & Aging Community Programs Division and uses temporary employees to manage the program. The Mayor's Proposed Budget for FY 2023-24 funds food access programs at \$20.0 million, not including \$999,899 for five (5.0 FTE) new positions, including one 0923 Manager II position and four 1823 Senior Administrative Analyst positions, one of which is assigned to the Contracts Division. Total FY 2024-25 proposed funding is \$11,027,103, of which \$10,000,000 is for community-based organization services and \$1,027,103 is for increased staffing.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

<p>Item 17 File 23-0661 <i>(Continued from 6/15/21 meeting)</i></p>	<p>Department: Early Childhood (DEC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would reduce the Early Care and Education baseline funding requirements by \$20,000,000 in FY 2023-24 and by \$10,000,000 in FY 2024-25 and suspend the increase in the baseline funding requirements in FY 2024-25. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Early Care and Education Commercial Rents Tax proceeds cannot be expended unless City appropriations in any given year exceed the baseline amount as established by Proposition C passed in 2018. The City may suspend growth in the early care and education baseline funding if the City’s projected budget deficit at the time of the Joint Report of the Five-Year Financial Plan exceeds \$200 million adjusted annually by changes in aggregate City discretionary revenues. The required baseline funding in FY 2022-23 was \$91.1 million. According to the Controller’s FY 2023-24 & FY 2024-25 Revenue Letter, baseline growth for FY 2023-24 was suspended due to the City’s projected deficit of \$290.9 million that year. • The Department reports that its budget includes new commercial rent tax revenues and related revenues, such that the proposed baseline reduction will not result in a decrease to early care and education programs and services relative to FY 2022-23 levels. Total DEC spending in FY 2022-23 is projected to be \$282.5 million based on current expenditure rates; the proposed FY 2023-24 DEC budget is \$324.5 million. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinance will reduce General Fund support of early childcare and education programs in the Department of Early Childhood. Funding for those program would be shifted to commercial rent tax revenue. • If the Board does not approve the proposed ordinance, General Fund baseline spending requirements for early education services will be \$20 million higher than budgeted in FY 2023-24 and \$10 million more than budgeted in FY 2024-25. Meeting those requirements would require re-allocation of General Fund monies to early child care programs. • In addition, if the proposed ordinance is not approved, the baseline requirement for FY 2024-25 would increase to \$97.1 million, according to the Controller’s Revenue Letter. • General Fund support of food access programs in the Human Services Agency is increasing \$20,999,899 in FY 2023-24 and \$11,027,103 in FY 2024-25 to replace one-time funding and prior year fund balances used in FY 2022-23 <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

Charter Section 2.105 requires that legislative acts in San Francisco be by ordinance, subject to approval by a majority of the Board of Supervisors.

Business and Tax Regulations Code Section 2113 states that amendments to or repeal of Article 21 of the Business and Tax Regulations Code are subject to Board of Supervisors approval by ordinance without voter approval.

BACKGROUND

The Early Care and Education Commercial Rents Tax was authorized by the voters in June 2018 with the passage of Proposition C and went into effect on January 1, 2019. The tax applies to businesses leasing commercial space that are subject to the City’s gross receipts tax and is in addition to gross receipts or payroll taxes paid by businesses in the City.¹

The City may suspend growth in the early care and education baseline funding if the City’s projected budget deficit at the time of the Joint Report of the Five-Year Financial Plan exceeds \$200 million adjusted annually by changes in aggregate City discretionary revenues.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance modifies the provisions of the Business and Tax Regulations Code by reducing the General Fund baseline funding requirement by \$20,000,000 in FY 2023-24 and by \$10,000,000 in FY 2024-25 to \$73.2 million and \$83.2 million, respectively.

Baseline Growth

The proposed ordinance would also suspend any growth in the baseline amount in FY 2024-25 which would otherwise be adjusted by the Controller’s determination of the increase in discretionary revenue.

The required baseline funding in FY 2022-23 was \$91.1 million. According to the Controller’s FY 2023-24 & FY 2024-25 Revenue Letter, baseline growth for FY 2023-24 was suspended due to the City’s projected deficit of \$290.9 million that year.²

FISCAL IMPACT

The Mayor’s Proposed Budget for FY 2023-24 and FY 2024-25 reduces the Department of Early Childhood (Department) General Fund appropriations to Community Based Organization services

¹ According to the Treasurer-Tax Collector’s Office, the gross receipts filing threshold was \$2,090,000 in 2022. Residential real estate providers are exempt.

² According to the March 2023 Joint Report

by over \$20.0 million in FY 2023-24 and \$10.0 million in FY 2024-25 and shifts funding for those services to the Early Care and Education Fund.

The Department reports that its budget includes new commercial rent tax revenues and related revenues, such that the proposed baseline reduction will not result in a decrease to early care and education programs and services relative to FY 2022-23 levels. Total DEC spending in FY 2022-23 is projected to be \$282.5 million based on current expenditure rates; the proposed FY 2023-24 DEC budget is \$324.5 million.

Other Funding

The Department reports that it will use \$10.3 million of fund balance,³ \$21.7 million in interest earnings over the proposed two year budget, allocate \$160 million of the \$399.5 million balance on reserve to support the following investments:

- \$70 million for facility capacity expansion.
- \$30 million for workforce development.
- \$60 million for Early Educator grant reserve.

Current Requirements

If the Board does not approve the proposed ordinance, General Fund baseline spending requirements for early education services will be \$20 million higher than budgeted in FY 2023-24 and \$10 million more than budgeted in FY 2024-25. Meeting those requirements would require re-allocation of General Fund monies to early childcare programs.

In addition, if the proposed ordinance is not approved, the baseline requirement for FY 2024-25 would increase to \$97.1 million, according to the Controller's Revenue Letter.

Re-Allocation of Funding to Food Programs

The Mayor's Office reports that the General Fund spending otherwise required absent the proposed ordinance of \$20.0 million in FY 2023-24 and \$10.0 million in FY 2024-25 are being shifted to fund food access programs managed by the Human Services Agency.

In FY 2022-23, these food programs are funded by the General Fund using \$17.0 million in FY 2022-23 appropriations as well as \$14.0 million in prior year carryforward balances at a total cost of \$30.95 million primarily in the Disability & Aging Community Programs Division and uses temporary employees to manage the program. The Mayor's Proposed Budget for FY 2023-24 funds food access programs at \$20.0 million, not including \$999,899 for five (5.0 FTE) new positions, including one 0923 Manager II position and four 1823 Senior Administrative Analyst positions, one of which is assigned to the Contracts Division. Total FY 2024-25 proposed funding

³ The Department is projecting a year-end fund balance of \$37 million in the Public Education Enrichment Special Revenue Fund (PEEF), one-third of allocated to early care and education programs. Further, there is \$399.5 million on reserve and an additional projected ending fund balance of \$54.2 million in the Commercial Rents Tax Special Revenue Fund.

is \$11,027,103, of which \$10,000,000 is for community-based organization services and \$1,027,103 is for increased staffing.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

<p>Item 14 File 23-0661</p>	<p>Department: Early Childhood (DEC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed ordinance would reduce the Early Care and Education baseline funding requirements by \$20,000,000 in FY 2023-24 and by \$10,000,000 in FY 2004-25 and suspend the increase in the baseline funding requirements in FY 2024-25. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> Early Care and Education Commercial Rents Tax proceeds cannot be expended unless City appropriations in any given year exceed the baseline amount as established by Proposition C passed in 2018. The City may suspend growth in the early care and education baseline funding if the City’s projected budget deficit at the time of the Joint Report of the Five-Year Financial Plan exceeds \$200 million adjusted annually by changes in aggregate City discretionary revenues. The required baseline funding in FY 2022-23 was \$91.1 million. According to the Controller’s FY 2023-24 & FY 2024-25 Revenue Letter, baseline growth for FY 2023-24 was suspended due to the City’s projected deficit of \$290.9 million that year. The Department reports that its budget includes new commercial rent tax revenues and related revenues, such that the proposed baseline reduction will not result in a decrease to early care and education programs and services relative to FY 2022-23 levels. Total DEC spending in FY 2022-23 is projected to be \$282.5 million based on current expenditure rates; the proposed FY 2023-24 DEC budget is \$324.5 million. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed ordinance will reduce General Fund support of early childcare and education programs in the Department of Early Childhood. Funding for those programs would be shifted to commercial rent tax revenue. If the Board does not approve the proposed ordinance, General Fund baseline spending requirements for early education services will be \$20 million higher than budgeted in FY 2023-24 and \$10 million more than budgeted in FY 2024-25. Meeting those requirements would require re-allocation of General Fund monies to early child care programs. In addition, if the proposed ordinance is not approved, the baseline requirement for FY 2024-25 would increase to \$97.1 million, according to the Controller’s Revenue Letter. General Fund support of food access programs in the Human Services Agency is increasing \$20,999,899 in FY 2023-24 and \$11,027,103 in FY 2024-25 to replace one-time funding and prior year fund balances used in FY 2022-23 <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

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BACKGROUND

The Early Care and Education Commercial Rents Tax was authorized by the voters in June 2018 with the passage of Proposition C and went into effect on January 1, 2019. The tax applies to businesses leasing commercial space that are subject to the City’s gross receipts tax and is in addition to gross receipts or payroll taxes paid by businesses in the City.¹

The City may suspend growth in the early care and education baseline funding if the City’s projected budget deficit at the time of the Joint Report of the Five-Year Financial Plan exceeds \$200 million adjusted annually by changes in aggregate City discretionary revenues.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance modifies the provisions of the Business and Tax Regulations Code by reducing the General Fund baseline funding requirement by \$20,000,000 in FY 2023-24 and by \$10,000,000 in FY 2024-25 to \$73.2 million and \$83.2 million, respectively.

Baseline Growth

The proposed ordinance would also suspend any growth in the baseline amount in FY 2024-25 which would otherwise be adjusted by the Controller’s determination of the increase in discretionary revenue.

The required baseline funding in FY 2022-23 was \$91.1 million. According to the Controller’s FY 2023-24 & FY 2024-25 Revenue Letter, baseline growth for FY 2023-24 was suspended due to the City’s projected deficit of \$290.9 million that year.²

FISCAL IMPACT

The Mayor’s Proposed Budget for FY 2023-24 and FY 2024-25 reduces the Department of Early Childhood (Department) General Fund appropriations to Community Based Organization services

¹ According to the Treasurer-Tax Collector’s Office, the gross receipts filing threshold was \$2,090,000 in 2022. Residential real estate providers are exempt.

² According to the March 2023 Joint Report

by over \$20.0 million in FY 2023-24 and \$10.0 million in FY 2024-25 and shifts funding for those services to the Early Care and Education Fund.

The Department reports that its budget includes new commercial rent tax revenues and related revenues, such that the proposed baseline reduction will not result in a decrease to early care and education programs and services relative to FY 2022-23 levels. Total DEC spending in FY 2022-23 is projected to be \$282.5 million based on current expenditure rates; the proposed FY 2023-24 DEC budget is \$324.5 million.

Other Funding

The Department reports that it will use \$10.3 million of fund balance,³ \$21.7 million in interest earnings over the proposed two year budget, allocate \$160 million of the \$399.5 million balance on reserve to support the following investments:

- \$70 million for facility capacity expansion.
- \$30 million for workforce development.
- \$60 million for Early Educator grant reserve.

Current Requirements

If the Board does not approve the proposed ordinance, General Fund baseline spending requirements for early education services will be \$20 million higher than budgeted in FY 2023-24 and \$10 million more than budgeted in FY 2024-25. Meeting those requirements would require re-allocation of General Fund monies to early childcare programs.

In addition, if the proposed ordinance is not approved, the baseline requirement for FY 2024-25 would increase to \$97.1 million, according to the Controller's Revenue Letter.

Re-Allocation of Funding to Food Programs

The Mayor's Office reports that the General Fund spending otherwise required absent the proposed ordinance of \$20.0 million in FY 2023-24 and \$10.0 million in FY 2024-25 are being shifted to fund food access programs managed by the Human Services Agency.

In FY 2022-23, these food programs are funded by the General Fund using \$17.0 million in FY 2022-23 appropriations as well as \$14.0 million in prior year carryforward balances at a total cost of \$30.95 million primarily in the Disability & Aging Community Programs Division and uses temporary employees to manage the program. The Mayor's Proposed Budget for FY 2023-24 funds food access programs at \$20.0 million, not including \$999,899 for five (5.0 FTE) new positions, including one 0923 Manager II position and four 1823 Senior Administrative Analyst positions, one of which is assigned to the Contracts Division. Total FY 2024-25 proposed funding

³ The Department is projecting a year-end fund balance of \$37 million in the Public Education Enrichment Special Revenue Fund (PEEF), one-third of allocated to early care and education programs. Further, there is \$399.5 million on reserve and an additional projected ending fund balance of \$54.2 million in the Commercial Rents Tax Special Revenue Fund.

is \$11,027,103, of which \$10,000,000 is for community-based organization services and \$1,027,103 is for increased staffing.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.



To: Aaron Peskin, President of the Board of Supervisors
From: Anna Duning, Mayor's Budget Director
Date: June 1, 2023
Re: 30-Day Waiver Requests

President Peskin,

The Mayor's Office Respectfully requests 30-day hold waivers for the following pieces of trailing legislation:

- Administrative Code – Annual Joint Fundraising Drive
- Administrative and Environment Code – Reporting Requirements
- Administrative Code – Technology Commodities and Procurement
- Resolution Adjusting the Access Line Tax with the Consumer Price Index of 2023
- Neighborhood Beautification and Graffiti Clean-up Fund Tax Designation Ceiling
- Building Code – Permitting and Inspection Fees
- Business and Tax Regulations Code – Early Care and Education Commercial Rents Tax Sublessor Deduction
- Business and Tax Regulations Code – Early Care and Education Commercial Rents Tax Baseline
- Business and Tax Regulations Code – Emergency Medical Services Fees
- Health Code – Patient Rates
- Accept and Expend Grants – Recurring State Grant Funds – Department of Public Health – FY 2023-2024
- Health Code – Managed Care Rates
- Administrative Code – Filming Fees for the SF Film Commission
- Homelessness and Supportive Housing Fund – FYs 2023-2023 and 2024-2025 Expenditure Plan
- Accept and Expend Grants – Recurring Grant Funds – San Francisco Public Library Friends of the Library Fund – FY 2023-2024
- Office of Community Investment and Infrastructure, operating as a Successor Agency to the San Francisco Redevelopment Agency, Fiscal Year 2023-2024 Interim Budget
- Municipal Elections Code – Ballot Arguments Opt-Out
- Business and Tax Regulations Code – Waiving first-year permit, license, and business registration fees
- Business and Tax Regulations Code – Our City, Our Home Homelessness Gross Receipts Tax
- Administrative Code – Minimum Compensation Ordinance

Should you have any questions, please contact Tom Paulino at 415-554-6153.

Sincerely,


Anna Duning
Mayor's Budget Director

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2023 JUN -1 PM 3:01
BY 

OFFICE OF THE MAYOR
SAN FRANCISCO



RECEIVED
LONDON N. BREED
SAN FRANCISCO MAYOR
2023 MAY 32 9:05 AM
PH 2:31
BY *[Signature]*

To: Angela Calvillo, Clerk of the Board of Supervisors
From: Anna Duning, Mayor's Budget Director
Date: June 1, 2023
Re: Mayor's FY 2023-24 and FY 2024-25 Budget Submission

Madam Clerk,

In accordance with City and County of San Francisco Charter, Article IX, Section 9.100, the Mayor's Office hereby submits the Mayor's proposed budget by June 1st, corresponding legislation, and related materials for Fiscal Year (FY) 2023-24 and FY 2024-25.

In addition to the Mayor's Proposed FY 2023-24 and FY 2024-25 Budget Book, the following items are included in the Mayor's submission:

- The Annual Appropriation Ordinance and Annual Salary Ordinance, along with Administrative Provisions
- The proposed budget for the Office of Community Investment and Infrastructure for FY 2023-24
- The Airport Annual Salary Ordinance Supplemental for FY 2023-24
- The Port of San Francisco Annual Salary Ordinance Supplemental for FY 2023-24 and Annual Appropriation Ordinance Supplemental for FY 2023-24
- The Public Utilities Commission Capital Budget for FY 2023-24 and Annual Appropriation Ordinance Supplemental for FY 2023-24
- 34 separate pieces of trailing legislation (see list attached)
- A Transfer of Function letter detailing the transfer of positions from one City department to another
- An Interim Exception letter
- A letter addressing funding levels for nonprofit corporations or public entities for the coming two fiscal years
- Memo to the Board President requesting for 30-day rule waivers on ordinances

Please note the following:

- Technical adjustments to the June 1 budget are being prepared, but are not submitted with this set of materials.

Sincerely,

[Signature]
Anna Duning
Mayor's Budget Director

cc: Members of the Board of Supervisors
Budget & Legislative Analyst's Office
Controller

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2023 JUN -1 PM 2:34
BY *[Signature]*

DEPT	Item	Description	Type of Legislation	File #
ADM	Code Amendment	Amending the Administrative Code to eliminate the Annual Joint Fundraising Drive	Ordinance	230648
ADM	Code Amendment	Amending the Administrative and Environment Codes to reduce reporting burdens, so as to update insurance manuals when requested or necessary, instead of on an annual basis, and eliminating some scheduled reports	Ordinance	230647
ADM	Code Amendment	Amending the Administrative Code relating to Technology Commodities and Services Procurements, to eliminate the Tech Marketplace fee	Ordinance	230649
ADM	Continuing Prop J	City Administrator's Office convention facility management services, Real Estate custodial services, and Fleet and Real Estate security services	Resolution	230672
BOS	Continuing Prop J	Board of Supervisors Budget and Legislative Analyst Services for FY 2023-24	Resolution	230672
CON	Access Line Tax (ALT) Tax Rates	Sets Access Line Tax in line with 2023 Consumer Price Index. Revenues assumed in budget.	Ordinance	230676
CON	Neighborhood Beautification Fund	Neighborhood Beautification and Graffiti Clean-Up Fund Option (now known as the Community Challenge Grant Program)	Ordinance	230668
DBI	Department of Building Inspection Fee Changes	Changing the fee structure for DBI fees that are charged for permitting and inspection	Ordinance	230658
DEC	Early Care and Education Commercial Rents Tax Baseline	Amending the baseline funding requirements for early care and education programs to enable the City to use Early Care and Education Commercial Rents Tax revenues for those programs	Ordinance	230661
DEC	Early Care and Education, Commercial Rents Tax Deductions	Amending the Business and Tax Regulations Code relating to the Early Care and Education Commercial Rents Tax Sublessor Deduction	Ordinance	230660
DEM	EMSA Fee Changes	Updating medical services fees due to annual adjustments for the purposes of funding trauma and pediatric centers. Fees also required for certain additional services.	Ordinance	230659

DPH	Patient Rates	Amending the Health Code to set patient rates and rates for other services provided by the Department of Public Health.	Ordinance	230662
DPH	Recurring State Grants	Accept and expend for annual, recurring state grant funds.	Resolution	230677
DPH	Managed Care Rates	Amending the Health Code to set managed care rates provided by the Department of Public Health.	Ordinance	230650
DPH	Public Health Foundation MOU	MOU between DPH and San Francisco Public Health Foundation to establish roles and responsibilities for purposes of fundraising and capital projects	Resolution	230673
DPH	Hospital Foundation MOU	MOU between DPH and San Francisco General Hospital Foundation to establish roles and responsibilities for purposes of fundraising and capital projects	Resolution	230674
DPH	Mobile Crisis Grant	Grant agreement between DPH and Advocates for Human Potential Inc. for anticipated revenue that support behavioral health mobile crisis and non-mobile crisis services	Resolution	230679
DPH	Continuing Prop J	Department of Public Health Security Services	Resolution	230672
DPW	Continuing Prop J	Department of Public Works Security Services for FY 2023-24	Resolution	230672
ECN	Contract Amendment - MidMarket Foundation	Contract amendment to reflect budgeted funding levels for the Mid-Market Foundation - Mid-Market/Tenderloin Community-Based Safety Program	Resolution	230681
ECN	Contract Amendment – San Francisco Tourism Improvement District Management Corporation	Contract amendment to reflect budgeted funding levels for the San Francisco Tourism Improvement District Management Corporation – Downtown Welcome Ambassador Program	Resolution	230680
ECN	Film Commission Fee Changes	Increase of filming fees for the SF Film Commission	Ordinance	230651
HOM	CAAP Legislation	Annual legislation for CAAP housing, required if appropriations for HSH fund exceed \$11.9 million, including expenditure details and explanation of benefits provided	Resolution	230675
HOM	Continuing Prop J	Homelessness and Supportive Housing security services	Resolution	230672

HSA	Continuing Prop J	Human Services Agency Security Services for FY 2023-24	Resolution	230672
HSH/ DPH	Funding Reallocation - Our City, Our Home Homelessness Gross Receipts Tax	Ordinance reallocating approximately \$60,000,000 in unencumbered revenues from the Our City, Our Home Fund to allow the City to use revenues from the Homelessness Gross Receipts Tax to provide services to prevent homelessness.	Ordinance	230657
LIB	Friends of the Library A&E	Annual Accept & Expend legislation for the SFPL's Friends of the Library Fund	Resolution	230678
MOHCD	Continuing Prop J	Mayor's Office of Housing and Community Development security services for undeveloped real property	Resolution	230672
OCII	OCII Interim Budget Resolution	OCII Interim Budget Resolution	Resolution	230670
	Citywide Tax Changes	Gross Receipts Tax Rate Increase Postponement and Credits for Opening City Location	Ordinance (Introduced)	File No. 230155
REG	Continuing Prop J	Department of Elections Envelope Assembly Services for FY 2023-24	Resolution	230672
REG	Ballot Arguments Opt-Out	Legislation for CCSF opt out of arguments on ballots required in AB 1416	Ordinance	230663
SHF	Continuing Prop J	Sheriff's Department County Jails Food Services for FY 2023-24	Resolution	230672
TTX	First Year Free	Continues waiving certain small business first-year permit, license, and business registration fees	Ordinance	230664

President, District 3
BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. No. 554-7450
Fax No. 554-7454
TDD/TTY No. 544-6546

Aaron Peskin

PRESIDENTIAL ACTION

Date:

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,

Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No.

(Primary Sponsor)

Title.

Transferring (Board Rule No 3.3)

File No.

(Primary Sponsor)

Title.

From:

Committee

To:

Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor:

Replacing Supervisor:

For:

Meeting

(Date)

(Committee)

Start Time:

End Time:

Temporary Assignment: Partial

Full Meeting

Aaron Peskin, President
Board of Supervisors

**Board of Supervisors
Legislation Introduced**

Legislation Introductions - 6/6/23					
Number	Requests or IA	File No.	Sponsor	File Type	Description
	30-Day	230642	Mayor	O	Proposed Interim Budget and Annual Appropriation Ordinance (AAO)
	30-Day	230643	Mayor	O	Proposed Interim Annual Salary Ordinance (ASO)
	30-Day	230644	Mayor	O	Proposed Budget and Annual Appropriation Ordinance (AAO)
	30-Day	230645	Mayor	O	Proposed Annual Salary Ordinance (ASO)
	30 Day Waiver	230646	Mayor	O	Admin Code - Minimum Compensation Ordinance
	30 Day Waiver	230647	Mayor	O	Admin & Environment Codes - Reducing Reporting Burdens
	30 Day Waiver	230648	Mayor	O	Admin Code - Eliminating Annual Joint Fundraising Drive
	30 Day Waiver	230649	Mayor	O	Admin Code - Technology Commodities and Services Procurements
	30 Day Waiver	230650	Mayor	O	Admin Code - DPH Managed Care Contracts
	30 Day Waiver	230651	Mayor	O	Admin Code - Film Commission Programs
	30-Day	230652	Mayor	O	Appropriation - \$124,020,472 in Proceeds from Revenue Bonds, Hetch Hetchy Revenue, Cap and Trade Allowance - FY 2023-24
	30-Day	230653	Mayor	O	Appropriation - Proceeds from CleanPowerSF Revenue and CPUC Grant Funds for CleanPowerSF Capital Improvements - \$1,607,220 - FY2023-24
	30-Day	230654	Mayor	O	Appropriation - \$332,278,006 in Proceeds from Revenue Bonds, State Loan or Grant Funds, Water Revenues, and Water Capacity Fees - FY2023-24
	30-Day	230655	Mayor	O	Appropriation - Proceeds from Revenue Bonds, State Loans or Grant Funds, Wastewater Revenues, and Wastewater Capacity Fees for Wastewater Capital Improvements - \$1,142,597,402 - FY2023-24
	30-day	230656	Mayor	O	Appropriation - Port Commission - \$501,908 - PUC - \$97,057,341 - FY2023-24
	30 Day Waiver	230657	Mayor	O	Funding Reallocation - Our City, Our Home Homelessness Gross Receipts Tax
	30 Day Waiver	230658	Mayor	O	Building Code - Fees
	30 Day Waiver	230659	Mayor	O	Business & Tax Regulations, Health Codes - Emergency Medical Services Fees
	30 Day Waiver	230660	Mayor	O	Business & Tax Regulations Code - Early Care and Education Commerical Rents Tax Sublessor Deduction
	30 Day Waiver	230661	Mayor	O	Business & Tax Regulations Code - Early Care and Education Commerical Rents Tax Baseline
	30 Day Waiver	230662	Mayor	O	Health Code - Patient Rates for FY 2023-24 and 2024-25
	30 Day Waiver	230663	Mayor	O	Municipal Elections Code - Supporters and Opponents in Ballot Questions for Local Measures
	30 Day Waiver	230664	Mayor	O	Business & Tax Regulations Code - Waiver of Permit, License, and Business Registration Fees for Certain Small Businesses

**Board of Supervisors
Legislation Introduced**

Legislation Introductions - 6/6/23					
Number	Requests or IA	File No.	Sponsor	File Type	Description
	30-Day	230665	Mayor	O	SFPUC Water Revenue Bond and Other Forms of Indebtedness Issuance - NTE \$358,985,453
	30-Day	230666	Mayor	O	SFPUC Wastewater Revenue Bond Issuance - NTE \$1,047,288,286
	30-Day	230667	Mayor	O	SFPUC Power Revenue Bond and Other Forms of Indebtedness Issuance - NTE \$41,031,367
	30 Day Waiver	230668	Mayor	O	Neighborhood Beautification and Graffiti Clean-Up Fund Tax Designation Ceiling
	30-Day	230669	Mayor	O	Public Employment - Amendment to the Salary Ordinance for the Port Commission and the Airport Commission - FY2023-24

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Tom Paulino, Liaison to the Board of Supervisors
RE: Business and Tax Regulations Code - Early Care and Education Commercial
Rents Tax Baseline
DATE: June 1, 2023

Ordinance reducing the baseline funding requirements for early care and education programs in Fiscal Years 2023-2024 and 2024-2025, to enable the City to use Early Care and Education Commercial Rents Tax revenues for those programs.

Should you have any questions, please contact Tom Paulino at 415-554-6153.