



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

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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 12, 2024

RE: File 240545 – Charter Amendment to Promote Accountability for Funding Children and Youth Services for City Departments and the Unified School District (SECOND DRAFT)

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. Additionally, staffing costs to support the operations of the newly created Our Children, Our Families Initiative, could range from \$140,000 to \$570,000 annually.

The amendment creates an Our Children, Our Families Initiative (the Initiative), to be staffed by officials from the City and Unified School District, to align the City's spending on children and youth with the Initiative's Outcomes Framework. The amendment specifies that the San Francisco Unified School District and City departments responsible for spending on children and youth, both through baselines and discretionary funding, must submit expenditure reports and proposals for their spending to the Initiative. The Board of Supervisors will then consider the Initiative's findings when drafting and adopting the City's budget.

The amendment would also restrict the City from providing PEEF funding to the School District until the Mayor and Board of Supervisors approve the School District's five-years spending proposal. The City would also be able to place a portion of the District's PEEF funding on reserve if the School District's current fiscal year expenditures to date are not aligned to the District's five-year spending plan, the Outcomes Framework, or other City goals. For context, in FY 2023-24, the City budgeted \$91.6 million for the District through PEEF.

Furthermore, the amendment would prohibit the City from providing discretionary funding to the School District unless the School District enters a data-sharing agreement with the City. For context, in FY 2023-24, the City budgeted \$7.7 million in discretionary funding to the School District. Given the potential restrictions on providing funding, the proposed amendment could generate savings for the City, but at level that cannot be specified at this time.

Finally, 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 Charter amendment clarifies that monies in this fund may not "replace, supplant, count as, or substitute

for” any other funding requirements or baselines in the Charter for services to children and youth and the San Francisco Unified School District. 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. Currently, the City’s budget is balanced by overlapping these two baselines. The overlapping amounts equal \$11 million in Fiscal Year (FY) 2023-2024, \$35 million in FY 2024-25, and \$45 million in FY2025-26.

Therefore, the Mayor and Board of Supervisors could need to appropriate additional money towards children and youth services of 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 above 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. The Mayor’s Proposed FY 2024-25 and FY 2025-26 budget appropriates \$1.5 million and \$6.2 million more than required, respectively.

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 estimated annual staff costs to support the Initiative range from approximately \$140,000 to \$570,000 for one to three positions in the Department of Children, Youth, and Their Families.

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.

Note that the proposed amendment would change the duties of the Controller’s Office, which has prepared this statement.

Sincerely,

Natasha Mihal

FOR Greg Wagner

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.

Controller